

FINAL TRANSCRIPT

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BRBY.L - Burberry Group PLC Half Year Trading Update Conference Call

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PRESENTATION

Operator

Good day, and welcome to the first half trading update conference call. Today's conference is being recorded. At this time, I'd like to turn the conference over to your host today, Miss Stacey Cartwright, EVP & CFO. Please go ahead.

Stacey Cartwright - Burberry Group plc - EVP and CFO

Good morning, and welcome to Burberry's first half trading update call. With me this morning I've got Fay Dodds, our Investor Relations Director. As usual, we're going to do a brief summary of our performance and then be happy to take your questions.

So we're pleased with our first half performance, particularly given consistent double-digit growth in Retail and Wholesale, in all regions and all product categories. With this strong trading, and some re-phasing of investments and costs into the second

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half, we're now expecting Retail/Wholesale operating margin at the interim stage to be a little better than previous expectations; so now broadly unchanged year on year, rather than down.

For the full year, we continue to expect Retail/Wholesale margin to improve modestly as we balance margin expansion with investing for growth and the continued cleanup of the brand's distribution.

Turning now to the first half, revenue was up 30% at constant exchange rates. Retail revenue was up 45% underlying, with 16% comparable store sales' growth; 15% from new space and 14% from the acquired China stores until the anniversary of their acquisitions.

All of our regions delivered double-digit mainline growth in the second quarter. And this was led by strong performances in flagship markets, so that's from New York, San Francisco, to London, Paris, Hong Kong, Taipei and Dubai; all benefiting from increasing spend by the travelling luxury consumer.

Comparable store sales' growth in China continued at around 30% in the half, helped by the ongoing implementation of global processes and retail disciplines. And to help you model going forward, please note that for the first half, on a pro forma basis, the difference in the Group comp sales with and without China was about 2% to 3%.

By product, all of our key strategies delivered good results, be it core outerwear and large leather goods, which drove half of mainline growth; be it replenishment, where the higher penetration helped growth margin and reduced inventory risk; or the focus on Burberry London, which contributed to a further increase in average selling prices.

In the second half, we'll be opening a net eight to 10 mainline stores, contributing to around a 15% increase in average retail selling space.

Turning now to Wholesale, first half revenue growth came in slightly ahead of guidance at 20%, excluding China. And this was led by Americas, Emerging Markets and Travel Retail, with momentum building in categories including men's tailoring, men's accessories, shoes, and childrenswear.

For the second half, we're expecting a mid single-digit increase in Wholesale revenue at constant exchange rates, reflecting much tougher two-year comparatives, and the decisions that we've made to further clean up our Wholesale business. So be it the continuing conversion of Wholesale to Retail, for example in Saudi Arabia and Spanish menswear, or further rationalization of the brand's distribution in Europe and the US. Excluding the impact of these planned actions, underlying Wholesale growth which showed mid-teen's increase on prior year.

And finally, on licensing, underlying revenue growth was 4%, consistent with our full-year guidance, which is unchanged.

In the first half, we made further progress on our five strategic themes that underleveraged the franchise. The launch of the Burberry Body fragrance, coupled with the success of the spring/summer '12 runway show, led to increased brand reach and awareness. And Burberry now has nearly 9 million Facebook fans, and has achieved the milestone of over 8 million views on YouTube.

Under non-apparel, men's accessories were a highlight, growing by nearly 50% year on year in mainline Retail. And we recently opened our first ever standalone men's non-apparel concession in Paris, and we're looking for other opportunities.

Under retail-led growth, the major project in flagship markets, such as Chicago and London, are well underway and we continue to see CapEx for the year as a whole of between GBP180 million and GBP200 million.

In underpenetrated markets, five stores in Saudi have been brought into a joint venture during the half, and a seventh franchise store opened in Turkey, which continues to be a strong market for us.

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And then finally, under operational excellence, SAP has gone live in the Middle East and is in final preparation in China; the last major owned market to be converted, with all the benefits that this should bring over time.

So let me close by repeating what Angela said this morning; we remain focused on investing to drive growth and executing our key strategies, while being fully prepared to respond appropriately, as we have done in the past, should we see any significant change in luxury demand.

So, with that, Fay and I'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Aurelie Husson, Societe Generale.

Aurelie Husson - Societe Generale - Analyst

I have actually two sets of question. The first one is in looking by region it seems that only Europe has faced a slowdown between Q1 and Q2, so is it linked to one region in particular, or one clientele, such as tourist or local clients?

And my second question regards burberry.com. You have invested a lot in digital media so can you talk a little bit about the client of burberry.com; how old are they; what percentage of these clients, also clients in your regular shops; what is the percentage of sales done through this channel; and what is the average basket versus the regular shops? And anything you would see useful to share with us. Thank you very much.

Stacey Cartwright - Burberry Group plc - EVP and CFO

Aurelie, well, the first question in terms of Europe showing a slowdown, as you put it, bear in mind that Wholesale it always distorts the regional numbers according to when the shipments go for Q1 and Q2. So, no, it's not right to say that Europe has seen a slowdown. We called out in July the fact that we are seeing Southern Europe weaker than Northern Europe, but generally the trends across our own Retail through the half have remained consistent.

Fay Dodds - Burberry Group plc - Director of IR

And you'll notice that we said that in the second quarter all four regions saw mainline double-digit comps growth.

Stacey Cartwright - Burberry Group plc - EVP and CFO

Which wasn't the case in the first quarter.

Then in terms of the second question, which is around some of the stats around burberry.com, I should just preface it by saying, clearly, we put a lot of investment into in the online offering, but that is around the whole look and feel of the website and really treating it as an entry point into the brand. So it's not just about converting and shopping online; it's about the experiences in terms of seeing behind the scenes at some of the shoots; being able to view the fashion show; celebrating obviously things like Burberry Acoustic, up and coming British musicians. So there's a lot more about the brand statement that the online offering -- that burberry.com makes.

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In terms of what we actually drive by way of percentage of sales, it is low single-digit percentage. But that's because, clearly, when you're talking about the luxury space, we are expecting, and we do see, consumers coming in, doing research online, and then bringing in their iPads, their iPhones into the store and showing the sales associate what it is they would, therefore, like to try on in person.

So we're seeing a kind of a blurring of the lines between the channels that consumers then choose to convert through. And to be honest, we talk internally about being agnostic about which channel people eventually convert through; it's about them embracing the Burberry brand and coming in and finding the brand however -- and converting however they choose.

Bear in mind as well that we've also got, as I'm sure you're aware, iPads in stores now so that we're able to flip it the other way. And if we don't have the inventory in the store for whatever reason in your size, we are able to service the client and convert them in an online purchase in that way. So we do look at it more holistically in terms of it being a way of reaching the brand.

Aurelie Husson - Societe Generale - Analyst

So you might say that it's like a (inaudible) flagship?

Stacey Cartwright - Burberry Group plc - EVP and CFO

Well, it's a different channel because remember, again, you've got GBP2,000 trench coats online that a consumer may love but they may still want to come in and try it on, make sure that it fits and they get the luxury experience in store. So it creates a halo over the brand.

In terms of, therefore, where we see this going, we just want to make sure that the brand offering online is appropriate; that you have the world of Burberry there and consumers can then choose to convert however they choose to convert.

Aurelie Husson - Societe Generale - Analyst

Okay, thank you.

Operator

Thomas Chauvet, Citigroup.

Thomas Chauvet - Citigroup - Analyst

In the release you mentioned that you're well prepared to respond to a change in luxury demand, what would be the key measures you would implement to protect revenues and margin? And how would it compare to '08 or '09? That's my first question.

Secondly, can you comment on the amount of inventories at the end of H1; but also on how you think your key wholesale partners' inventory looked like in Europe and the US?

And thirdly, we've seen very, very healthy global tourist flows over the summer to Europe and the US, I know you don't have yet full CRM tool in place but how much you think is your exposure to tourist in Europe and US? And is 50% in Europe and 20%/30% in the US a fair estimate?

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Stacey Cartwright - Burberry Group plc - EVP and CFO

Okay, so I think the first question was responding to the downturn. The first thing to say right upfront is that we are better positioned than we were three years ago for a number of reasons, not least of which is that, as I said earlier, we're about to convert China, the last of our owned markets, to SAP. Three years ago I think we only had Europe on SAP. So we've got far greater visibility and transparency around the business, having the end-to-end data.

We also have a full merchandise planning team that's on board now, that essentially we only recruited three years ago and they weren't able to influence to a huge degree what was happening at that point. So it does mean that inventory is in much better shape than it was three years ago.

You've also seen the shift to replenishment that we talk frequently about, and clearly that de-risks the fashion side and, therefore, the markdown risk.

So the overall sense is that we are in a better position. We proved three years ago that the team remains dynamic and flexible and can respond. The team will do that again, should it be necessary.

And, clearly, there are areas of discretionary spend, not -- three years ago we tried to make sure that we didn't impact anything that the consumer sees, so we didn't rein back on investment in the frontline stores; we didn't rein back on marketing. That, again, would be the stance that we would adopt. But there is stuff at the back end that we can rein back on, the usual travel freeze, hiring freeze, all of that, and the regions are well briefed that that's where we need to go should we see any sign of downturn.

And then the final point of course is that we do talk about the legacy cleanup and whether that's closing inappropriate wholesale accounts. We've talked about some of that, that we're doing anyway in the second half in the US and in Europe, and then closing outlet stores, for example, and reducing outlet as a proportion of total retail. These are all actions that we have in train.

But, again, we could choose to be less pure on that and slow some of that down should we need to protect profit more rigorously in the short term; particularly because, as we've always talked about, adopting this pay-as-you-go approach, if we haven't got the top line growth then we can't afford to turn off as much of the less desirable elements as we would like. So that's really the list of the things that we are considering.

But, as I said, there's no evidence in the numbers that we posted today of any slowdown; we've seen consistent growth throughout the half, and in fact a stronger performance in mainline in the second quarter versus the first quarter.

Fay Dodds - Burberry Group plc - Director of IR

I'll take the second one in terms of inventory, and I'd be looking for inventory in the first half to be growing broadly in line with sales year on year.

A couple of things to be aware of; obviously, we've put a lot more inventory into China just because of the growth in the business. But also, because we convert to SAP in a few weeks' time, we've got a lot of inventory in the business at September 30, because we just want to protect that business when we turn the systems in the warehouse and DCs off for a few days.

But generally, growth is in line with sales. And the point to make is that inventory is much higher quality, as Stacey said, because of the higher percentage of replenishment inventory in there than fashion inventory.

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Stacey Cartwright - Burberry Group plc - EVP and CFO

And then your third question was around tourist flows. And you're absolutely right, Thomas, we don't have the CRM data today. Clearly, we're aware of what others of our luxury peers say, and we wouldn't disagree that it's likely that you're seeing in the big flagship markets more than half of your business done to the traveling luxury consumer.

We have, very recently, recruited a Senior Vice President for Consumer Insight and Analytic; comes with an enormous amount of experience in this field. And this is part of the next stage of Burberry's development in terms of focusing on building the proper CRM-type database; consolidating the 22 databases that we have around the world today into one, and building that and getting true insight in analytics to help drive the business forward going forward. But that's not something we have today.

Thomas Chauvet - Citigroup - Analyst

Thank you very much.

Operator

John Guy, RBS.

John Guy - RBS - Analyst

Just a couple of follows up, please. Looking at the ASP movement, you talked around ASPs going up on the back of strong performance out of London, could you just talk about the ASP movement during the half in terms of price mix?

And could you quantify for us the trading loss, effectively millions of pounds, that you've had given the Chicago and London refurbis? Just how much of an impact has that had do you think during the half?

And the third question around China, just looking at the Asia Pac GBP266 million, how much of that is effectively coming out of China?

Stacey Cartwright - Burberry Group plc - EVP and CFO

Okay, right, so the first one, in terms of average selling price, John, you know this is always a difficult one to try and breakdown as to what is price and what is mix because we're always looking for the opportunity to go to the next price point, if you like, on whether it's a trench coat or a handbag or whatever, but doing it in a way that provides added value for the consumer as well. So it's playing to the whole price value piece about better hardware, leather trims, whatever.

So, yes, there is some pricing impact in the numbers, which is lower single-digit, but mix will have been the bigger element. We've talked particularly about the shift towards London and Prorsum, for example, and that is driving a fair part of the average selling price uplift.

In terms of the trading loss, clearly, Regent Street closed in August so the loss of the -- and that closed because that whole area is being redeveloped by the landlord there. And our new store in Regent Street, a little bit further down, the old LK Bennett and Habitat space, will only be ready next spring so the impact in the half was less marked than it clearly will be in the second half.

As far as Chicago is concerned, again, I think it was August again where we vacated that building. We have set up in a temporary store in Chicago. I'm pleased to say that a lot of our loyal customers have followed us down the road to the new temporary space, albeit it's a lot, lot smaller. And that will be a much longer period of being out of that store as that will take the vast majority of '12/'13 to get back on track.

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But I think it's low millions of pounds of impact in the second half because it's literally only the months of August and September that were impacted. Much more impact will be, clearly, in the run up to Christmas, this next quarter.

Fay Dodds - Burberry Group plc - Director of IR

And I think you'll remember, at the prelims we guided to a loss of about GBP10 million relating to that transitional investment in flagships, which we think will be slightly half two weighted.

Stacey Cartwright - Burberry Group plc - EVP and CFO

Yes. And then in terms of Asia Pacific, and China in particular, well, China as a whole is about 10% of Group sales right now. So that's probably the way to think of it.

John Guy - RBS - Analyst

Okay, great and thanks. And just one follow up. I think in your initial piece you talked around the strong move in -- I think in mainline retail you're looking at apparel, was that in men's apparel that you saw a 50% increase? Was that what you said?

Stacey Cartwright - Burberry Group plc - EVP and CFO

In non-apparel.

John Guy - RBS - Analyst

Sorry, okay.

Stacey Cartwright - Burberry Group plc - EVP and CFO

The men's accessories saw a 50% increase in our own mainline retail.

John Guy - RBS - Analyst

So men's non-apparel you saw a 50% move. That's great. Thanks very much, indeed.

Stacey Cartwright - Burberry Group plc - EVP and CFO

(inaudible) strategy. Great, thanks, John.

Operator

Warwick Okines, Deutsche Bank.

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Warwick Okines - Deutsche Bank - Analyst

Just a couple of questions. Could you firstly just give us a few examples of which costs are now falling in H2 compared with what you expected in H1?

And secondly, could you say whether or not the Wholesale cleanup is accelerating in the second half? Are there things you're doing in H2, or planning for H2, that you didn't push through in the first half? I appreciate Saudi is a specific, but it just sounds like you may be being a bit more aggressive with your cleanup now.

Stacey Cartwright - Burberry Group plc - EVP and CFO

Okay, costs H2 versus H1, I can't point to a one item that we have suddenly decided to defer. I think it's more about responsible management across all of our regions and product divisions and corporate areas that everybody knows that in the current climate they should be very careful. And we've had that message out there consistently with the team and, therefore, we are seeing everybody just push things out where they can on the discretionary side.

In terms of the Wholesale cleanup, yes, there has been some acceleration in the second half. Clearly, with the stronger trading performance in the first half it's back to this idea of pay-as-you-go; that's given us a little bit more headroom, and, therefore, in the US and Europe there's a little bit more in terms of turning off of inappropriate distribution.

Warwick Okines - Deutsche Bank - Analyst

Thank you. And actually just coming back to that cost comment you made then, is there any particular reason why, if the current climate deteriorates, why you can't just push those H2 costs now further out; you defer them for six months --?

Stacey Cartwright - Burberry Group plc - EVP and CFO

That's absolutely what we'd be looking for the teams to do, if we needed to. But there is stuff that they need to do; they need to travel, they need to get to the regions, they need to -- we do need new hires in certain areas. And we talked about the investment in consumer insight and analytics, for example; making sure that that's appropriately resourced because that will deliver benefits down the track.

Warwick Okines - Deutsche Bank - Analyst

Sure. Okay, thanks very much.

Operator

Erwan Rambourg, HSBC.

Erwan Rambourg - HSBC - Analyst

Exceptionally, I'll have two questions, not three. First of all, I think you were very precise in explaining why you would be better positioned this time around should we see any significant change in luxury demand. I'm just wondering where you think this change in luxury demand could theoretically come from because every day you come to work there's a new headline; today there's basically a hard landing in China; tomorrow there's the debt issue in Europe; after tomorrow it'll be politics, or again a debt issue in the US.



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Where are you the most nervous, or on the flip side where are you the most confident, that the current trends you've been seeing can either deteriorate or be maintained? That's a broad question, but internally how you think about things region by region.

The second question is very short. Where do you see the current consensus for EBIT within the sell side?

Stacey Cartwright - Burberry Group plc - EVP and CFO

In terms of that, yes, we are better positioned but where could the change in luxury demand come from, to be honest, Erwan, I haven't got any better insight than you have. We watch the same data that everybody looks at externally. We make sure that, that is socialized with our teams regionally so that they're on the lookout for that. Clearly, they talk to their luxury peers on the ground in the specific markets.

So everybody is asking everybody else for validation or otherwise in terms of what they're seeing, so I don't think we've got any insights to add to that, I'm afraid, other than the fact that the team know that we need to remain dynamic and flexible should we need to.

In terms of (multiple speakers) --

Erwan Rambourg - HSBC - Analyst

Just on that, sorry, in terms of cost containment or cost cutting potential measures, are you looking at regions in a different? Or are you just asking all of your managers region by region to have a plan b? How does it work?

Stacey Cartwright - Burberry Group plc - EVP and CFO

We're asking all of the regions to have the plan b; it's exactly that.

Fay Dodds - Burberry Group plc - Director of IR

In terms of consensus, consensus for adjusted PBT is about GBP373 million for this year, and that's after, I think, GBP2 million or GBP3 million of interest charge.

Erwan Rambourg - HSBC - Analyst

Okay, thank you very much.

Operator

Bethany Hocking, Investec.

Bethany Hocking - Investec - Analyst

Just one quick question, please. In terms of your Q2 like for like of 16%, what was the impact of the one month of the China inclusion there?

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Stacey Cartwright - Burberry Group plc - EVP and CFO

What we said -- what I tried to say in the script there was the fact that had China been in for the full half, because I guess what you're trying to do is to look forward to what might the impact be in the second half, China would have added 2 percentage points to 3 percentage points. So think of China as having helped to nudge us up to 16% for the quarter as a whole.

Bethany Hocking - Investec - Analyst

Okay, fantastic, thank you.

Operator

Julian Easthope, Barclays.

Julian Easthope - Barclays Capital - Analyst

Just three questions from me. First of all, could you say how you've developed in terms of the US department stores? I know it's a key focus for you; how many more corners you managed to gain in the first half?

Second question, some of your Burberry Brit stores, the standalone stores, have been open for a little while now, can you say how they're progressing; whether you think that's something that you will ultimately roll out?

And lastly, you talked about the Wholesale cleanup, that's obviously accelerated in H1, can you say how much further you think you've got to go on that? Is that just a long-term project? Or is that -- will that ultimately come to an end? Thanks.

Stacey Cartwright - Burberry Group plc - EVP and CFO

I think Fay's going to take the first two, and I'll take the last one then. So, US department stores?

Fay Dodds - Burberry Group plc - Director of IR

US department stores, you know we've been talking about, with the segmentation of the brand between London and Brit, how that's giving us the opportunity now to get separate spaces on the tailoring floor and separate space on the denim floor. And I think at September we had about 20 doors; we're expecting that to broadly double by the year end, and then broadly double again over the next year to 18 months.

So although they're small numbers, we're really, really pleased with the progress that we're getting in terms of dedicated shop-in-shop space in the US on the appropriate floor.

In terms of Brit, we have seven stores. A couple of them have only opened this year, and most of them have only been trading for one Christmas, so I think there's still a test and a trial. Leave it with us; we're pleased with the progress, but we are continuing to tweak the offer.

Stacey Cartwright - Burberry Group plc - EVP and CFO

And then in terms of Wholesale cleanup, think about the areas of Wholesale that we will be looking to continue to grow includes the US department stores. Fay talked about that earlier, although there are some elements that we are turning off in the second half; some of the less desirable end of the scale.

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We are focusing on travel retail, and we're focusing on franchised stores in those emerging markets. And certainly, for the second half, we have accelerated the cleanup in certain parts of US Wholesale, some of the specialty accounts they used to run, specialty accounts in Europe. Excluding those, the second half Wholesale number is up mid-teens.

So, if you like, we're looking for consistent, steady, nice growth out of the areas that we want to push, but taking the opportunity to then do some of the cleanup besides.

Julian Easthope - *Barclays Capital - Analyst*

Okay, thank you very much.

Operator

Nick Hawkins, Cenkos.

Nick Hawkins - *Cenkos Securities - Analyst*

Just can I just come back to the impact of China, and, therefore, the like for like in the first quarter that your comp stores, as you refer to it, was 15%, and then it's more like 10%/11% in Q2, is that right, and whether there are any timing issues, or why that would be?

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

No, I'm not sure I follow the math there. So we had 15% like-for-like sales growth with no China in it in Q1; we had 16% like-for-like sales growth in Q2, which included just one month of China; and essentially think of it the 15% nudged to 16% as a result of having a month of China in.

Going forward, you'd expect, based on the first half, for there to be 2 to 3 percentage points difference between China being in and China not being in, in a half.

Nick Hawkins - *Cenkos Securities - Analyst*

I'm sorry, I thought you said that there was a 2% to 3% impact on the first half from China.

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

No. No, I'm saying had China been in for the whole of the first half the difference between pre and post would have been 2 to 3 percentage points.

Nick Hawkins - *Cenkos Securities - Analyst*

Perfect, thanks very much.

Operator

Rogerio Fujimori, Credit Suisse.

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Rogério Fujimori - *Credit Suisse - Analyst*

Just a quick question about non-apparel given what you saw in terms of growth in bags, shoes, small leather goods. Do you view non-apparel as a whole to be accretive to margins in the first half and full year?

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

Remember, there are different aspects to non-apparel. So the fact that we are growing men's non-apparel from a relatively small base, therefore, lower volumes, means that, that puts a little bit more pressure on the non-apparel margin.

Rogério, there's lots and lots of moving parts here. So it's not just about non-apparel; it's about a mix shift in apparel as well, from Brit to London to Prorsum. It's about the mix shift towards replenishment, which obviously is accretive to gross margin. So, if you like, there's lots and lots of moving parts rather than picking out one particular thing, like non-apparel.

And, obviously, what we're looking to do internally is to make sure that for some of the newer product strategies that haven't yet got critical mass, that we're able to bring those on at lower gross margins to start with, but cover that through improvements in gross margin elsewhere so that we're still delivering gross margin improvement, which helps us then obviously deliver net Retail/Wholesale EBIT margin improvement as well.

Fay Dodds - *Burberry Group plc - Director of IR*

And let me just remind you that, unlike some of our peers, the differential between our non-apparel and apparel margin is actually relatively limited because there's a higher penetration of outerwear and replenishment in apparel actually pushes the gross margin up. So it's actually very close to non-apparel.

Rogério Fujimori - *Credit Suisse - Analyst*

That's clear, thanks, very useful. And just a small question on licensing. Could you just give an idea of the moving parts, and in particular the rate of growth you're seeing for global licenses and the impact from the termination of non-apparel?

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

Clearly, in the numbers that we're showing for this year for the half, and that we're showing for the full year as a whole, we've got global licenses all growing double-digits, which is terrific.

But, clearly, you've got the legacy impact of the Japanese business. So the Japanese business is moving on the apparel side in line with the numbers that we gave you previously in terms of the minimum royalties and the way that those move between now and 2015, but at the same time we are then eliminating a number of the non-apparel licenses, which is essentially bringing the Japan number in more like flat.

Rogério Fujimori - *Credit Suisse - Analyst*

That's clear, thank you very much.

Operator

(Operator Instructions). John Guy, RBS.

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John Guy - RBS - Analyst

Just one follow up on the US department stores. Is it fair to say that when you're negotiating for more corners there's going to be this lag effect? Because when you have the initial discussion and you say we'd like that space, it's going to take, what, at least a year for the department store to have the conversation with the existing holder of that space before you transition. What is typically the timing involved from having that initial conversation and actually getting where you want to be?

Stacey Cartwright - Burberry Group plc - EVP and CFO

I don't know that there's a typical time period. As you know, Angela has very detailed top-to-top sessions with each of the department stores, with the Americas team, on a regular basis and they're constantly talking about when space might become available and which locations we would like. But, clearly, we can't get it overnight because we have to wait for other incumbents to be moved out.

So, yes, there is a lead time to it and we've been talking about this for the last few years. So --

Fay Dodds - Burberry Group plc - Director of IR

Four years (laughter).

Stacey Cartwright - Burberry Group plc - EVP and CFO

So it's nice to have some positive news to report in terms of the number of doors that we will be opening over the course of the next 18 months or so. So things are starting to move.

John Guy - RBS - Analyst

So when you say that things are starting to move, there's at least 18 months to maybe 2 years of pretty strong momentum just within the US business?

Stacey Cartwright - Burberry Group plc - EVP and CFO

On those core department store doors that we want to be in. Clearly, as I said, we are taking the opportunity in the second half to turn off some of the less brand-appropriate elements of the US distribution, and clearly this is part of the offset.

John Guy - RBS - Analyst

That's great, thank you very much.

Operator

Allegra Perry, Nomura.

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Allegra Perry - Nomura International Plc - Analyst

Just a question on replenishment. How should we be thinking about this when you build out your forecast for the second half Wholesale business? And, specifically, can you just comment on how you factor that into the numbers that you've provided this morning in terms of guidance, please?

Stacey Cartwright - Burberry Group plc - EVP and CFO

Okay, so you're thinking more in terms of re-orders and what we think we can get from each of our growing channels within Wholesale, I think?

Allegra Perry - Nomura International Plc - Analyst

Yes.

Stacey Cartwright - Burberry Group plc - EVP and CFO

And we are absolutely factoring in expectations of re-orders within those numbers. Clearly, we have an understanding of what they placed by re-orders last year. Each of the teams that's very close to those respective partners is talking with them about their stock positions, and, yes, there is an allowance already in there.

We always talk about the fact that whether it's re-orders or cancellations you can always have a couple of percentage points move either way according to whether one comes in more strongly than expected or, in the case of cancellations, more adverse than expected. But we're putting out our best estimate at the moment, which is mid-teens on a reported basis, albeit the underlying ongoing Wholesale accounts, growth there is more like mid-teens. (multiple speakers)

Fay Dodds - Burberry Group plc - Director of IR

Mid-single-digit on reported.

Stacey Cartwright - Burberry Group plc - EVP and CFO

(multiple speakers) Mid-single-digit for the reported Wholesale basis.

Allegra Perry - Nomura International Plc - Analyst

Is that based on kind of last year's performance because, obviously, in terms of in-season the orders did quite well and boosted up your final reported --?

Stacey Cartwright - Burberry Group plc - EVP and CFO

Yes.

Allegra Perry - Nomura International Plc - Analyst

Yes, okay.

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Stacey Cartwright - Burberry Group plc - EVP and CFO

Yes, absolutely.

Allegra Perry - Nomura International Plc - Analyst

Okay, thank you.

Operator

Edouard Crowley, Exane BNP Paribas.

Edouard Crowley - Exane BNP Paribas - Analyst

Yes, one very quick question. Well, you are having a quite aggressive Retail CapEx plan and I'm just trying to understand what is the typical (inaudible) time for new store, both mainline and flagship, to get basically at full speed and from the day you open the store until when you get full traffic benefit; and, hence, by when it will have a full positive impact on the like for likes and basically the year end plus one?

Stacey Cartwright - Burberry Group plc - EVP and CFO

Okay --

Edouard Crowley - Exane BNP Paribas - Analyst

It is very qualitative, but --

Stacey Cartwright - Burberry Group plc - EVP and CFO

Yes, and it is different in the different regions, and different according to whether it's an established mall, or whether it's a new mall and, therefore, the traffic that's being sought by the mall owners, that we've gone into a particular new luxury mall with a number of our peers, so it takes a while to build traffic, so there isn't a hard and fast answer here.

What we do see is that typically our stores hit the ground running very quickly because obviously there's enormous global brand awareness and the traffic comes. So we typically say, if you're adding 10% space growth you'll add 8% to 9% of selling revenue. And these stores get up to speed very quickly and we have very fast paybacks.

Edouard Crowley - Exane BNP Paribas - Analyst

So basically, if you have, let's say, 10% space in year end it's going to be 8% to 9% like for like in end plus one?

Stacey Cartwright - Burberry Group plc - EVP and CFO

No, it's the sales contribution from that 10% space growth would be 8% to 9% in that first year where you're saying how much have you had from new space.



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Edouard Crowley - *Exane BNP Paribas - Analyst*

Okay, all clear.

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

In terms of the like-for-like sales growth, it will -- it's (multiple speakers) that it's going to have greater like-for-like sales; it's more in line with what the brand is doing and the strength of the local market.

Fay Dodds - *Burberry Group plc - Director of IR*

There's not a huge impact on our comp sales growth from maturing stores; there's a bit, but it's not a key driver.

Edouard Crowley - *Exane BNP Paribas - Analyst*

Okay, thanks.

Operator

As there are no further questions in the queue I'd like to hand the conference over back to Miss Cartwright for any additional or closing remarks.

Stacey Cartwright - *Burberry Group plc - EVP and CFO*

Well, thank you very much, everybody. In summary, just to reiterate, we're very pleased with our momentum and the consistent performance in the first half.

Looking forward, we are mindful that our business faces tougher comparatives in the second half, in both Retail and Wholesale, and that the macro environment is getting no easier. But, as Angela said this morning, our focus remains on investing for growth and executing on our key strategies, while of course being fully prepared to respond appropriately, as we did three years ago, should we see any significant change in luxury demand.

So, thank you very much for your attention. We look forward to speaking to you all again on November 15, which is when we'll be releasing our interim results.

Thanks very much.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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