Event ID: 3103369
Culture: en-US
Event Name: Preliminary 2010 Burberry Group plc Earnings Conference Call
Event Date: 2010-05-26T08:00:00 UTC

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Angela Ahrendts: Good morning. Welcome to Burberry's preliminary results presentation. I'm going to make some introductory comments, mainly around the revenue in 2009/2010; and then, I'll hand over to Stacey, who's going to review this year's financial performance, focusing on profits and cash flow; and then, Andrew Maag, who heads up our Menswear, is then going to update you on key progress in this key growth division; I'll then come back and discuss how we're continuing to make progress on our strategic initiatives, with a specific focus this time on retail-led growth and our underpenetrated markets.

So, in perhaps, one of the most challenging markets that I've actually seen, Burberry had a great year in 2009/2010. We delivered record profits of GBP215 million; ended the year with cash of GBP262 million.

We stayed the course and consistently executed our five key strategies; maintaining investment in consumer-facing elements, while focusing on margins; efficiencies; inventory; and cash.

We embraced digital in all of its forms to raise brand awareness and reach; we brought the Women's Runway Show back to London to reinforce our British heritage; we relabeled Burberry Brit, two-thirds of our business in the height of the recession; we further purified the brand, particularly in Spain and Japan; and we delivered nearly GBP50 million of cost efficiencies.

So, looking forward to 2010/2011, we're going to optimize the momentum in the business and further capitalize on our strong financial performance.

While mindful, as ever, of the changing economic conditions, you will hear this morning how we intend to reassert our growth agenda by nearly doubling capital expenditure and accelerating investment across all areas of the business. And we will continue to correct many legacy issues, such as wholesale distribution, or inappropriate licenses, which although often are profitable, are not good for the long-term health of the brand.

So, turning to revenue, for the year, it grew 7% reported, 1% underlying; down 5% in the first half, recovering to up 6% in the second half.

By channel, Retail contributed 58% of sales; up from 52% last year. Retail sales were up 15% underlying; 8% from new space and 7% from comp store growth, the latter improving from plus 2% in the first half to plus 10% in the second half. This was high quality growth, with both increased gross margin and average selling prices.

To enhance the brand, we introduced an iconic pricing policy, ensuring that our core items were never marked down. Full price sell-through rates increased; we had much shorter sales; and mainline stores outperformed outlets as we had significantly lower inventory levels to put through them.

Revenue also benefited from our strategies coming together; product innovation, driving a very positive consumer reaction to the collections; digital marketing, again driving brand awareness and traffic; our improved customer service, translating this traffic into higher sales; and a supply chain now capable of consistently flowing deliveries into the stores earlier and much more frequently.

So, with the opening of a net 12 mainline stores and nine concessions, we continue to improve the quality and reach of our portfolio, and I'll come back and revisit this theme shortly.

We continued to invest in sector-leading digital marketing capabilities, creating compelling in-house brand content to attract and engage new, as well as existing, customers.

We extended the reach and awareness of the brand through social media, with over 7 million page views now on artofthetrench.com since its launch last November and over 1 million Facebook fans, and while the innovation around the runway shows, including 3-D screenings and instant click-and-buy, was also industry-leading.

This investment is resulting in great brand energy and momentum, which impacts all markets, all channels, and all product divisions. This impact is larger than just the 60% increase we felt in e-commerce last year.

Wholesale revenue did decline 15% underlying in the year, with improved momentum in the second half, down 6%, following a 23% decline in the first half. And you might remember, that Wholesale is very much a lagging indicator as the collections are ordered almost a year in advance of when the consumer buys them.

You may recall that the Wholesale performance was impacted by actions we took to enhance the brand, mainly closing the Thomas Burberry collection and many small European accounts. Excluding these actions, sales were up mid-single-digit in the second half of last year. And this outperformance continues in the first half of the current year where global demand is up in the high teens.

And none of this would have been possible without our investment in the systems, again in supply chain; delivering more on-time, and enabling more in-season reorders, and fewer cancellations.

Licensing revenue was down 6% on an underlying basis, in line with our guidance, but up 18% on a reported basis, benefiting from the hedged yen rate.

Just to remind you, two-thirds of the Licensing revenue is generated in Japan. Of this, approximately two-thirds is generated by our apparel license. And thanks to the amendment that we announced last November, this contribution was broadly flat year-on-year despite continued weakness in the Japanese market. And remember, that the license now expires in 2015; five years earlier than before.

The balance of Japanese royalty income comes from various short-term non-apparel licenses, which declined during the year. And as I'll talk about later, we have served notice to exit our Japanese leather goods license to support our non-apparel JV which we launched there.

Royalties from our global partners in eyewear, fragrances, and timepieces were broadly flat year-on-year due to continued destocking by customers. However, we did continue to launch innovative new products, including the Burberry Sport fragrance.

And finally, Andrew will explain, as we've been on a long journey exiting local menswear licenses, which is negatively impacting our royalty income.

So, for the current financial year, we expect royalty income at constant FX rates to be down between 5% and 10%. But please note, there is only a marginal benefit from the yen hedge rate this year.

This chart shows revenue by regions. In Spain, which is now only 9% of revenue, sales were down 29% underlying. Given this weak performance, we announced a major restructuring plan for this business in February. And we are on plan, and Stacey will give you more details shortly.

Burberry Group revenue in all other regions, with Asia Pacific being the strongest performer, up 13% underlying, and we've already called out Hong Kong and Korea as strong retail markets.

China, which many of you know is operating under franchise, was also very strong and reported double-digit comp sales in every quarter. And 13 stores were opened in China during the year bringing our total number now to 50.

Europe saw revenues increase by 3% on an underlying basis with double-digit percentage growth in Retail, led by the UK, largely offset by decline in Wholesale.

And the Americas delivered positive underlying growth of 2%, thanks to a very strong second half where underlying sales in both Retail and Wholesale increased by around 10%.

Burberry does continue to gain market share in the large department stores in America, which represent only about 7% of Group's total sales and do remain a key growth opportunity for Burberry.

And I'll come back later on emerging and underpenetrated markets, where we made good progress during the year.

And finally, turning to revenue by product category, by year-end non-apparel became our largest category at 36% of sales. Revenue was up 10% underlying, driven by many of the strategies that Paul Price talked to you about last November; large leather goods as the core, innovation in and the relaunch of our soft accessories, and driving growth in small leather goods and shoes.

In apparel, both men's and women's saw growth in our retail stores, but were impacted by wholesale destocking during the year. And outerwear continues to be the core of both our men's and women's apparel businesses, and Andrew will talk to you about how he's helping drive growth there. And remember, that outerwear has a very low fashion risk compared to many other of our luxury apparel items.

And the men's and women's businesses also benefitted from our decision to move to more clearly segmented Burberry London, our wear-to-work range, and Burberry Brit, our casual collections. Our Wholesale customers embraced this in the June 2009 market, and the collections were in store by November. This consumer response has been very positive across all channels.

And lastly, childrenswear performed well again this year despite some operational issues. We have reorganized, strengthened the team, thus enabling much greater co-operation with our other global product divisions. And we remain confident that childrenswear can become 10% of our sales over time. It already accounts for about 7% of our retail sales in Asia, and about 15% of the retail sales in the Middle East.

So, before handing over to Stacey, I'd like to show you a short clip, which highlights some of the Company and the team's achievements in the second half of the year.

(video playing)

Stacey Cartwright: Good morning, everyone. I'm going to start by giving you the financial highlights. As you've just heard from Angela, revenue was up 7% reported.

Our adjusted pre-tax profit, at GBP215 million, is a record for the Company and up 23% year-on-year. This was achieved despite a difficult first half, where profit was down 12%.

Indeed, this year really was a tale of two halves, with the first impacted by the global economic downturn that affected most consumer-facing companies. But we saw a significant rebound in the second half, driven mainly by our Retail operations, but also with some improving signs in Wholesale.

Reported pre-tax profit was GBP166 million after charging restructuring costs in Spain, which I will talk about later.

With adjusted earnings per share up by 16%, the Board is recommending a 17% increase in the full-year dividend to 14p per share; in line with our stated policy of a 40% dividend pay out ratio.

And finally, we've generated a significant amount of cash, ending the year with GBP262 million in the bank.

Given tight control of working capital and the inherent cash generation in the business, we now have a strong balance sheet. This gives us the flexibility to accelerate investment in the business at a time when financial markets are uncertain, and you'll hear about our investment plans throughout this morning's presentation.

So, this slide shows how our adjusted operating profit increased by 22% to GBP220 million. This includes a GBP16.2 million currency benefit, with a positive impact of the hedged yen rate partly offset by adverse translation movements in the euro and the dollar.

At constant FX rates, Retail and Wholesale profit grew by 29%, generating GBP31 million more profit than last year, whilst our Licensing business saw a decrease in operating profit, as guided.

So, if we look first at Licensing, sales, and thus gross margin, were down 6% on an underlying basis, as Angela has already discussed. And with operating expenses returning to more normal levels, the operating profit margin declined slightly to 84.3%.

So, now turning to the Retail and Wholesale business, revenue was up 6% reported and up 2% on an underlying basis. Gross margin as a percentage of sales was up 760 basis points, whilst operating costs increased to 48.1% of sales.

Remember, the impact on our P&L account as we shift from Wholesale to Retail. The shift is positive at absolute operating profit and gross margin, but does have a negative impact on the OpEx ratio and the EBIT margin. Retail accounted for 58% of sales in '09/'10, compared to 52% a year earlier. Overall, the EBIT margin improved to 11.6%.

So, now let's look at the drivers of Retail/Wholesale gross margin. You'll remember that the gross margin declined by 30 basis points in the first half; a better performance than we'd originally anticipated as sales in the largely full price second quarter showed a good recovery.

This full price trend continued into the second half so that with a 1,400 basis point improvement, we more than recovered the 880 basis points that we lost in the second half of '08/'09.

Other factors which had an impact on gross margin movement were around GBP20 million of savings from the cost efficiency program, with improvements in our systems and supply chain; the continued shift from Wholesale to Retail; and a positive FX impact in the first half.

For '09/'10 (sic - see press release), we're expecting a further, albeit more modest, increase in the gross margin.

In November, we explained why operating expenses as a percentage of sales would increase, and said that they would be in the high 40% for the full-year. As you can see, we came in at 48.1% of sales; up from 42.3% last year.

The increase in pounds millions is just under GBP100 million, which breaks down as follows. First of all, the cost efficiency program delivered savings of around GBP30 million; there was around a GBP30 million reinstatement of bonus and share scheme costs, which were largely eliminated, of course, in the '08/'09 year; there was an increase of around GBP20 million in operating expenses due to exchange rate movements; and with the shift to Retail, which is a higher cost channel, and investment in new space, new ventures, and new initiatives making up the balance.

For '10/'11, we expect the cost ratio to remain up at around 50%, excluding Spain, as we accelerate Retail investment and eliminate legacy businesses.

But before I turn to the rest of the income statement, let me update you on Spain. As you know, in February this year we announced the planned restructuring of our Spanish operations, consistent with our strategy of aligning Burberry in Spain with our global business model. We plan to, firstly, introduce the global collection with effect from spring/summer 2011, thereby ceasing the local collection after autumn/winter '10. And this necessitating the closure of the Barcelona facility and leading to around 300 redundancies.

Since the announcement, we've made considerable progress. The social plan with employees has been agreed, and we're working closely with our customers to determine the appropriate distribution for the global collection. For example, we'll have only around 100 small specialty accounts selling the global collection in spring/summer 2011; down from over 500 in the previous spring/summer '10.

This has several financial implications. As previously flagged, we expect to incur a one-off charge of between EUR50 million and EUR70 million. In '09/'10, we've actually charged GBP45 million, with a further approximately GBP15 million likely in '10/'11. Of the total charge, around GBP35 million is expected to be cash, of which we spent GBP6 million already in the '09/'10 year.

As well as restructuring costs, Spain will incur ongoing trading losses in '10/'11.

As you can see in the appendix, we've split out the effective business in Spain in '09/'10. This is the Retail concessions and the Wholesale accounts, but not the three mainline stores and five outlets, which we'll be reporting as part of the European business.

In '09/'10, these activities generated sales of around GBP95 million and were broadly break-even, the second half being slightly better than we originally anticipated as some Wholesale orders were delivered early and discretionary spend was very aggressively managed following the restructuring announcement.

2010/'11 will be, as we've said before, a year of transition as we move from the domestic collection to the global collection in Retail and Wholesale, as we start to reduce our distribution network and downsize the Barcelona facility over the course of the year.

As a result, we're expecting sales to roughly halve, and to incur a trading loss of around GBP10 million. That's over and above the balance of the restructuring charge. This trading loss we will show separately in the P&L account and exclude it from the adjusted PBT going forward.

So, 2011/'12 will be the first clean year where we'll be selling only the global collection, and this will result in a further contraction of sales. But most importantly, the business will be modestly profitable as it will simply be leveraging off the existing global and European infrastructure.

As you know, our vision for Spain, which is a legacy business, is for it to be up to our global brand standards and consistent with other regions around the world, profitably selling the global collection in the appropriate points of sale. And this restructuring will deliver that vision, which is critical in this highly transparent digital age.

So, returning to the income statement, our net interest charge was GBP5.1 million, reflecting bank fees on undrawn facilities and low interest rates on our cash balance. For 2010/'11, we're expecting a smaller but still negative charge, and you can see the impacts of the Spanish restructuring in exceptional items.

I'll cover our tax charge on the next slide. And the minorities charge of GBP0.8 million relates to our partners' share of income from Burberry Middle East and the trading losses from the Japanese non-apparel JV and Burberry India.

So, turning to tax, our tax charge of GBP84 million is made up of three components. First of all, an effective tax rate of 27.4% on adjusted PBT. That's up from 23.8% last year, which was driven by unusually distorted mix of profits because of the geography that we had. For '10/'11, we're expecting the tax rate to be around 28%.

The second element is the tax credit on the exceptional items.

And then, the third part is the write-off of the Spanish deferred tax assets, as we've taken a prudent view that we'll now not generate enough future profit in Spain to utilize these.

Let me now turn to our very strong cash performance. I'm very proud of the way the team has managed working capital, and especially the extent to which they've reduced inventory.

Looking down the cash flow statement, the restructuring spend of GBP27 million relates to the cost efficiency program that was announced in January '09; that's GBP21 million, plus a further GBP6 million for Spain.

Secondly on this slide, the depreciation charge was GBP52 million. We're expecting that to increase to between GBP55 million and GBP60 million in this current year.

Inventory reduction generated GBP80 million of cash; an underlying 36% reduction despite 9% more space. And looking forward, I would suggest that you start to model inventory now growing broadly in line with sales, although we'll clearly aim to do better than that with hard work from our supplier chain, planning, and merchandizing teams.

Debt has also reduced by GBP50 million, largely driven by lower Wholesale revenues. As sales recover, again, we'd expect trade receivables to increase again.

Moving down the cash flow, the only thing I would highlight here would be capital expenditure, which was just under GBP70 million.

As Angela mentioned, we plan to increase our CapEx in '10/'11 to around GBP130 million. Angela is going to go into more detail, but you can see here how the increase is spread. First of all, store refurbishments in our established markets, largely catching up on what we put on hold in '09/'10; new stores, where we're deploying more capital outside of our traditional regions of the US, Europe, and Asia Pacific; and in other initiatives, including, amongst others, digital commerce.

Remember, that as we make these investments we seek a minimum 25% IRR hurdle.

And finally, having paid out GBP53 million in dividends, we end the year, as I said, with GBP262 million of cash.

And finally, this slide summarizes our guidance for the current year, which is largely unchanged from what we gave you in April. In summary, as you'll have seen, the underlying momentum in the business is good so we've made the decision to accelerate our investment plans, clear up legacy issues, and we've got the financial strength to do this.

And now, I'm delighted to hand over to Andrew Maag, who's going to update us on the progress we've made in menswear.

Andrew Maag: Thank you, Stacey. And good morning, everyone. As Angela mentioned, I joined Burberry in 2006 to head up menswear. Previously, I was at Limited Brands; one of America's largest vertical retails. And I've also worked at international luxury brands, such as Donna Karan and Yves Saint Laurent.

In 2006, we -- since 2006, we've been on a journey in menswear, moving from a business of significant but uncoordinated licensed product, with no clear cohesive brand message, supplier, or customer base, to today's fully integrated team, with one global brand and one global point of view.

We are building on the legacy and heritage of our brand. Remember, Burberry started as a menswear company in 1856. And today, you'll hear how our progress is being driven by the execution of proven strategies and initiatives, which are common across Burberry.

So, let me first put menswear into context for you. As you can see from the chart, total menswear revenue last year was GBP289 million, representing 24% of Group Retail and Wholesale revenue.

Although Spain has held back reported sales growth, the global collection has growth at a 20% [kager] since 2006. By channel, sales of menswear are slightly skewed to Wholesale, whilst sales by region are similar to the Group, excluding Spain.

Based on the order book for the global collection for autumn/winter 2009 and summer 2010 combined, you can see how our product mix splits. Our vision from day one was to rebalance the product pyramid. In 2006, our sales were 80%, driven by casual or lifestyle product, and only 1% by Prorsum.

Today, 5% of sales are Prorsum, the ultimate brand-enhancement, providing us with our outstanding fashion credentials; about 30% is Burberry London, our wear-to-work offer, which is key to establishing authority in menswear; with the balance from Burberry Brit, our casual or lifestyle product.

By product, as you would expect, we are dominated by outerwear, being 30% of the order book at Wholesale value but 40% of sales at Retail stores, while the opportunities are clear; to defend, protect, and grow outerwear, while focusing on new initiatives such as tailoring and denim.

As I've just mentioned, much of menswear was historically operated under license. In 2007, we had 11 licenses, generating about 40% of sales at Retail value. These covered outerwear, our core competency, as well as tailoring and casual products, in many countries around the world. This created a confusing mix of product with conflicting pricing and inconsistent quality and distribution that was a disservice to the brand.

Today, we have a pure cohesive menswear collection for the first time in over half a century. We have exited all of these licenses. We are repositioning the business to appeal to the modern democratic luxury customer, playing to our unique strengths of being the only British luxury brand. All of this will enable us to gain share in menswear, whether it's clear white space between the established players of Giorgio Armani on one-hand, Hugo Boss and Polo Ralph Lauren on the other.

And you'll see during this presentation how we've deliberately focused our corporate marketing and PR resources to re-launch menswear. It is not a coincidence that Ryan Seacrest, America's most celebrated media host, is tweeting to millions of fans about Burberry. Nor is it a coincidence that Daniel Craig wears Burberry almost everywhere he goes.

So, how will we grow menswear? Firstly, we must defend and protect outerwear, which is our heritage. It has the highest average selling price, less fashion risk, and garners customer loyalty. It is, we believe, still the main reason men come to a Burberry store.

Last year, in our mainline stores, outerwear was 40% of menswear sales. But we still see lots of opportunity as outerwear ended the year at 60% of woman's sales. To close this gap, we're executing several major Group initiatives. Firstly, to enable clear diversification, we've established strong branding platforms, being Brit, Sport, London, Heritage, and Prorsum, allowing us to cover all of our customers' end-uses with a full offering.

Secondly, we've broadened the offer and expanded the assortment across all fabrics, be it down, leather, or suede. As part of April Showers, we offered a packable nylon bomber priced at around GBP300, as well as a great suede trench priced at about GBP900.

Thirdly, product innovation has been key in driving sales of our heritage rainwear. New style, silhouettes, and fabrics improved functionality, mostly coming from our Castleford factory, emphasizing the made-in- UK heritage.

And finally, as I've mentioned, we've distorted our marketing spend to support menswear employing all the tools of our disposal, from PR, to VIP dressing, to social media, such as art of the trench.

At Wholesale value, orders for total outerwear have increased 20% in the last two seasons compared to the previous year; a measure of the success of these initiatives.

Building on the footfall generated by outerwear, and the menswear licenses now behind us, our second initiative is to grow tailoring as the foundation for becoming the best-in-class luxury menswear brand. By tailoring, we mean suits, trousers, and sport coats combined to create a modern luxury wear-to-work collection, with a consistent fit around the world, complemented by our formal shirts, ties, and outerwear, and the branding platform anchored by the Burberry Beat check.

We aim for the clear white space in tailoring, with the majority of our suits currently retailing between GBP695 and GBP895.

Key to growth in tailoring has been bringing in seasoned talent and focusing on world-class manufacturing partners. All of our Burberry London suits are made in Italy by a vendor we've worked with for a decade, originally on Prorsum, as they had the artisans and pattern-makers we needed. As we've grown our London tailoring, they have provided the quality, innovation, and flexibility we need for our larger business, while retaining the made-in-Italy labels that our customer luxuries demand.

As you saw earlier, this business is still small, at less than 10% of our sales, but growing very fast. Orders were up nearly 50% in the last year.

At the same time we've been building legitimacy in tailoring, we've been repositioning our lifestyle business, recently re-labeled Burberry Brit, to become the top-of-mind global brand for the young luxury customer. The Brit label is geared towards the casual more weekend needs of our customer, underpinned by outerwear, with the high potential in denim and sport.

Let me highlight just one initiative, which has been used successfully elsewhere in the Group, how we're evolving our icons to support Burberry Brit. A great example is this quad check shirt, which is an exploded check developed for use in casual shirts, as an updated version then went down the runway in fall 2009, as featured here in the ad campaign.

Another important strategy in Brit in both men's and women's is the compelling denim offer. Our men's denim is priced at between GBP150 and GBP250; in line with our luxury peers. Over the last couple of years, we have invested in design capability and technical specialists, identified and partnered with global manufacturers who can provide the innovation, quality, and volume we need and who, importantly, can also have the agility to respond in market to demand as we improve our replenishment capabilities.

We're also testing new store fixtures and presentations to encourage multiple purchases by customers. From a small base, denim is current 5% of Brit Retail sales, with a target of 15% over time. And one of our US -- one of our biggest US luxury customers is putting our Brit collection, anchored by denim, in all of its stores for the first time from June this year.

We're also building a strong sport business in men's and women's. This collection, which is built around technical outerwear, is more for the spectator than for performers. The apparel ranges have been complemented by the recent launch of the Burberry Sport fragrance, eyewear, and watches. Sport is currently a low single-digit percent of Brit, with the goal of getting to double-digit penetration over time.

So, let me play a short clip showing you how we leverage our heritage in sport, supported by our licensee's media spend.

(video playing)

Finally, no presentation on menswear would be complete without talking briefly about all the improvements we've made to the back-end of the business and the aim of driving margin, as well as revenue.

We have completely rebuilt the organization since 2006; now, an integrated team of specialized, with centralized design, greater bench strength in product development, merchandizing, and planning, and sourcing now done by our specialist supply chain team.

And we've applied other Group-wide initiatives in systems, benefiting from the depth of data we get from SAP, and of the analysis of the planning teams, and the implementing of the global buy, to improve global consistency, enforce monthly floor sets, and buy more in-depth, which drives margin.

In supply chain, benefited from improved distribution and logistics so that menswear was delivered about two weeks earlier this season, and improving processes to better able to satisfy in-season orders, which doubled in spring/summer 2010.

So, in conclusion, Burberry has a strong heritage in menswear on which it can build. We have exited all of our licenses; cut back on unproductive options; rationalized our distribution; and rebalanced our pyramid.

We have a fully innovative business so that spring/summer 2011, which opens in market this week, is the first menswear collection for over 50 years that is true to one global brand and one vision. We will drive this pure brand message globally and digitally and through all sales channels; digital commerce, retail, and wholesale.

We will build on the footfall generated by our core outerwear, and pursue growth and opportunities in tailoring, denim, and sport, with the scope to double the size of the business over time, all the while improving margin.

So, thank you for your attention. And let me now hand you back to Angela.

Angela Ahrendts: Thanks, Andrew; terrific. So, as we've discussed this morning, 2009/2010 was a very busy, but very successful, year for us and based on the consistent execution of our five key strategies, which have now been in place since 2006. This morning, I'm going to update you and concentrate on a couple of these key themes; one, accelerating Retail web growth; and the second one, investing in underpenetrated markets.

So, just to reminder you that, by channel, Burberry is on a journey, moving from a licensing model historically, through wholesale, and now to retail and digital. In the last five years, we have more than doubled our Retail revenue. We've doubled the number of mainline stores. And Retail contributed 58% of sales last year; up from 43% in '06.

Given that our stores are perhaps the best vehicle to communicate the full brand message to consumers, we are looking to accelerate investment in Retail in '10/'11 by adding more space, as well as improving the productivity of our existing space.

And we're also building a global digital commerce platform, which will go live in the second half in the year. And I'll give you a further update on this exciting development when we meet in November.

As Stacey mentioned, CapEx on new stores is planned up by about 50%, with most of the increase being invested in emerging markets rather than our traditional regions of Europe, US, and Asia Pacific.

In '10/'11, we plan to open about 20 to 30 mainline stores and 10 to 20 concessions, with these individual projects all targeted to clear our 25% IRR hurdle rate.

Some openings will take us into new markets, such as a flagship store in Sydney due to open in the second half, and our first store in South America. Some will be our second or third stores in major cities as we continue our flagship cluster strategy, which I've spoken about to many of you about before. And others will be trial stores of new concepts, be it childrenswear in Asia and emerging markets; Brit stores in more contemporary locations in the US and Europe; and two Burberry Black & Blue test stores in Hong Kong.

So, clustering in key markets, optimizing our proven mainline format, and testing new smaller concepts give us the opportunity to add about 10% space growth per annum for the next three years, at least. And don't forget, this excludes franchise stores, with 16 stores opened last year at a rough cost of about GBP1 million per store; this is additional capital being spent on Burberry.

And this slide shows some of the openings during '09/'10.

We're also driving profits by improving the productivity of the existing space, and let me highlight a couple of these initiatives for you.

The Burberry experience, which is basically our sales and service program, was rolled out to Europe, the US, and Asia during the first half and has driven a nearly 10% improvement in the customer experience, which we measure externally now every month. Roll out to the Middle East is currently under way, with Japan and South America to shortly follow.

And we're also building a client services team. This is a new initiative for us, and means that we'll look after our VIP customers consistently now around the world. These customers typically spend seven times more than an average consumer, and the first 30 stores will go live this year.

The second initiative; to highlight our strategy of flowing new product to the stores much more frequently, as demonstrated by April Showers, and best showcased by this short clip.

(video playing)

So, April Showers was a small collection of just about 30 styles, which was designed, as Stacey mentioned, late in January; bought centrally for only our own retail stores and e-commerce channels; and was then delivered into the stores by the middle of April. The fact that we can now go from conception to customer in just three months is a great testament to the dynamic team and business model, and shows how they can not only respond to changing patterns of demand.

And the customer absolutely loves it. April Showers is contributing on average 10% to 15% of weekly sales in the 90 stores that carry the collection.

The final initiative to drive productivity is our plan to accelerate store renovations, which were one of the first things that we did put on hold in 2008 as the world went into recession. You'll be familiar with the concept, which you can see in Knightsbridge, for example. And this is fully aligned with our brand aesthetic, and more productive in terms of inventory available on the sales floor rather than hid in the stock room.

During '09/'10, we did refurbish some stores but only spent about GBP10 million, which is about half of our normal level. And in '10/'11, we plan to catch up, increasing spend to about GBP30 million to cover major stores, such as Boston, which we own, Las Vegas, Geneva.

Of the 131 mainline stores at March 31, 2010, about half are the new store concept. And by March 2011, that number will rise to about two-thirds.

And finally, I'd like to update you briefly on what's been happening at some of our underpenetrated markets. In South and Central America, we moved an executive internally to head up the region. We've opened an office in San Paolo with a team of about six people. And our first directly-operated store in Brasilia is opening in -- opened in April, with another four currently planned for the balance of the year.

In India, our joint venture received government approval in December, and we now employ nine people at the center. We currently have three stores, Delhi, Bangalore, and Hyderabad. And later this week, we're opening a 4,000 square foot store in Mumbai. This investment in real estate will be supported by an increase in marketing spend during the year, using all of our media channels, from VIP dressing and brand ambassadors, to traditional print, as well as digital.

And finally, we're pleased with the early progress from our Japanese non-apparel joint venture. You might remember, this was set up to sell the global non-apparel collection into Japan for the first time. Previously, only the domestic license product was available, which was premium positioned rather than luxury.

We have a new headquarters in Tokyo with about 30 employees; two stores in Tokyo, in Omotesando and Ginza; as well as nine concessions in department stores next to our luxury peers, with plans to open a similar number again this year.

And importantly, we've exited the domestic leather goods license, which accounts for about 20% of Japanese non-apparel license income. This will reduce confusion in the marketplace, even if it does impact profits short-term.

Combined, the start-up losses from these three markets in '10/'11 will increase by about GBP5 million, but another example of how we're leveraging our momentum in the business to invest for future growth.

So, in conclusion, I hope this morning we've demonstrated what progress that our outstanding team made in '09/'10. They executed our five key strategies, and have generated record profits, net cash of GBP262 million, and reaffirmed our dividend pay out ratio of 40%.

In '10/'11, we intend to reassert our growth agenda on the back of this momentum and continue to invest in the future of the brands, while correcting many legacy issues. We plan to nearly double CapEx and increase investment by product, region, as well as channel. And all of this will deliver sustainable, profitable growth over the long-term, and all for the benefit of our shareholders.

So, thank you very much again. And Stacey and I will now take your questions.

+++ q-and-a
Erwan Rambourg: Good morning. Erwan Rambourg from HSBC. Three questions, if I can. First, quite a naive question on leverage for Retail and Wholesale. Clearly, you're in a sort of virtuous circle here, where gross margin expansion outweighs SG&A expansion. However, SG&A as a percentage of sales will expand again this year. When do you think you'll see leverage on Retail and Wholesale expenses?

Second question is on digital. Can you tell us how much digital represents as a percentage of overall ad spend, and where you see this going?

And thirdly, on the new stores, can you tell us what's the split between specific London or specific Brit stores out of the total 20 to 30? And can you tell us about the commitment of your franchise partners, i.e., are they adding 10% space as well, or more, or less? Thank you.

Stacey Cartwright: So, if I take the first question, Erwan. In true style, you've given us three because that's always the required number. So, leveraging, leverage coming out of Retail and Wholesale, there's so many moving parts within this I wouldn't want anybody to feel that we're not getting leverage out of Retail and Wholesale because we absolutely are. The issue is around the fact that we have got more investment that's going back into the business; that's the first issue. So, the increases that we've announced today are about investment for future growth, where we will see the returns.

The second piece within the sort of the whole Retail/Wholesale mix piece is, remember, as we turn off some of the legacy issues, for example, coming out of hundreds of legacy high margin Wholesale accounts in Europe, that actually is depressing and pulling down our leverage opportunities. But again, it's the right thing to do for the brand.

So, you have to bear in mind both the investment, which is not a cost increase, it's an investment for the future, but also where we're deliberately turning off things that are high profit margin but they're not right for the business going forward. But on an underlying basis, you are seeing the leverage.

Angela Ahrendts: Digital, right now, low single-digit percentage of the total business. And I will tell you, long-term, we're not putting any projections in terms of what the specific e-commerce channel will be because that's not really where the focus is. The focus, as I mentioned, is on reach; it's on awareness. We don't have enough stores around the world to satisfy all of the customers that are viewing all of the brand content that you see today that we're also putting up online.

Just take the Runway Show for example. Typically, you'd have 1,000 people attend the Runway Show. When we streamed it live to five regions around the world, live stream, 145,000 people watched that show, and 75 million read the press release online that we were doing it. That drives traffic into every single channel. We watched every department stores' business spike. We watched our own business go up. And, yes, our e-commerce channel was up significantly for a couple of weeks.

So, think of digital commerce, think of everything we do online as the halo; just extending our reach, our awareness, engaging consumers. And honestly, we don't really care where they buy Burberry; they can buy it in any channel where it's available.

Erwan Rambourg: Actually, sorry, just on digital, my question was more on not necessarily the percentage of sales, but more the percentage of media spend it represents.

Angela Ahrendts: Can I tell you, we don't break it down necessarily like that. Of our total media, we're up to about 50% we allocate to the space. But when we work with all -- everybody's 360 now. So, when you negotiate with Vogue, you're not just negotiating for two magazine pages; you're negotiating for landing pages, for banners. It's really multi-faceted. So, we say roughly 50% going into the channel, but I'm not telling you that it's totally measurable.

And from a new stores standpoint, we're only planning a couple of new Brit stores, as I have outlined. We're planning no new additional London stores right now; we've got the one test store in New York. And we are simply testing the two

Black & Blue stores in Hong Kong, which is one of the best selling -- the two best selling product categories currently with our Japanese license, Sanyo. That's it.

Erwan Rambourg: And just on the commitment of your franchise partners, how much space are they willing to increase?

Angela Ahrendts: Not measured necessarily by space right now, really measured more in the number of doors. And not all of them are negotiated right now; again, it's looking forward. But I think, what do we say, 15/16 new doors that are planned in emerging markets.

Allegra Perry: Good morning. It's Allegra Perry from Nomura. I have three questions, please. The first is on current trading. I just wondered if you could give us even just a qualitative comment perhaps on how the first few weeks of the new financial year have gone.

Secondly, I was wondering if we can get an update on the gap between the Retail and Wholesale margins, and perhaps an indication of how that moved versus last year.

And lastly, on gross margin, I guess accounting for the components that you've mentioned within the Retail/Wholesale growth, is the rest basically all just higher full price sales? And perhaps could you give us an indication of where you might expect that modest increase to be in terms of a range for next year. Thank you.

Stacey Cartwright: All in my field, Allegra. Current trading, we never talk about current trading, you know. However, you've probably got two things to look at today; one is that we are putting out what is a confident statement we would say. And the second is Angela's reference to how April Showers has landed in the stores, and the percentage of sales that that's representing, just in our own stores obviously, in the months of April and May. So, that should give you some comfort.

In terms of the Retail/Wholesale gap, that's the percentage net margin, I think, Allegra, that you're referring to. Clearly, Wholesale is a significantly higher percentage when you look at the full flow through to net operating margin. Yes, we're making inroads on that. But it's going to take us quite a while to get anywhere near what the Wholesale net operating margin is so I wouldn't read too much into what we've achieved so far this year in terms of that gap.

And then, your last question, I think, was on gross margin. Absolutely, the critical piece in all of this has been the improvements we've made in terms of the inventory flow, procurement, everything, as well as the momentum driving traffic into the stores through the digital marketing, converting that through the Burberry sales and service training program. All of that leading to much higher full price sell-through and having, bluntly, far less inventory when it comes to sale time to markdown.

Bear in mind, that where we've made those significant improvements has been the second half of this year, albeit up against a big degree of markdowns in the previous year. We've still got to go through that in the first half of this year; this reduced sale period in stores, far less inventory to mark down.

And again, an important point that Angela referred to, just so you don't miss it, this point about an iconic pricing policy, which means that our core items are now never marked down. That's what gives us the confidence to talk about a modest improvement in gross margin as we go into '10/'11 as well. And my definition of modest is obviously nowhere near what we've seen in the -- so far this year, but nonetheless a very nice addition.

Thomas Chauvet: Good morning. Thomas Chauvet, Citigroup. I've got three questions. The first one, on Spain, you've written down quite a significant amount of deferred tax asset, but you're also saying that in March '12 you're going to start making a profit in Spain, and I guess probably beyond that. So, firstly, what was the logic behind that write-down?

Secondly, I have a question on currency movements and tourist flows. You had phenomenal growth in the UK and Korea last year, partly because of in-bound tourism and on weak sterling and Korean won. Now that the euro has depreciated significantly against most global currency, could we see, or are you seeing, a similar phenomenon in Continental Europe which could be a much bigger boost, I guess, than Korea and the UK in terms of FY'11 revenue? I'm thinking of France, Italy, in particular.

And thirdly, on gross margin, the modest increase you're guiding to, is that based on this 61% excluding Spain gross margin? Or is that the total Retail/Wholesale gross margin because I assume you would have further gross margin pressure in Spain? Thank you.

Stacey Cartwright: Okay, again, they sound like all mine. First of all, Spain, the deferred tax asset, you can see from the quantum, if that's the deferred tax asset, the associated losses, once you gross that up, are very large indeed.

We've talked about the Spain revenues coming down in the year ahead, being half of the GBP95 million revenues that we've generated this year, with further contraction in the '11/'12 year. So, whatever you model that down to, and even if you apply our current operating margin to that, you can see that it will be a modest profit coming out of the Spanish business. But nowhere near enough to utilize that degree of taxable losses brought forward over the course of the next five years, which is the normal timescale over which you would seek to assess recoverability.

So, that's why we've taken the very prudent view that we will simply write off the deferred tax asset. Clearly, there's an opportunity going forward if the profits are higher that we may be able to write some of that back, but it will be small relative to what we've written off today.

In terms of currency and whether there'll be a similar phenomena in Europe, I have to say, that is the beauty of a global brand. You have consumers who travel; who shop internationally. And when there are particular currency movements, you will find that tourists flow accordingly. And because we're so well represented on the global stage, if you lose in one market, you'll pick it up in another market.

And I'm not going to talk about current trading. So, I'm not going to say what's currently happening in Europe.

And then, just to confirm, yes, the gross margin improvement, we're talking about the numbers excluding Spain. As we move into '10/'11, we're going to try and pull the legacy business in Spain out of everything that we show you. So, yes, talk about the modest improvement on the clean number.

Rogerio Fujimori: It's Rogerio Fujimori here from Credit Suisse. Hi, Stacey. My question is of a long-term nature, and particularly the margin outlook in, say, five years time, considering the efforts -- the [pending] efforts to purify the brand and the legacy issues to be dealt with. Do you envision a return to the peak margins in '06, say, in five years time? Thank you.

Stacey Cartwright: I was about to say, if you're talking about Retail/Wholesale --

Rogerio Fujimori: Retail and Wholesale.

Stacey Cartwright: Yes, because clearly, anyone who looks at the total margin for the Group, please remember that we have said Licensing is becoming a smaller and smaller percentage of the mix so you absolutely have to look at the Retail/Wholesale margin.

And internally, we're very driven to just keep adding to Retail/Wholesale margin every year and absolutely get back to where we were and take it beyond. But we haven't stated any official targets. We haven't stated any official timelines. But that's absolutely the journey that the team want to be on.

Luca Solca: Good morning. Luca Solca from Sanford Bernstein. On Retail, given the new capsules you're introducing and efforts to improve the product, what are your next two years space productivity targets for your directly-operated stores? And what do you think would be the operating expenditure underlying inflation in these stores?

Stacey Cartwright: Productivity target sounds rather like a like-for-like sales growth estimate, which we never give. Fair to say that we've got a number of initiatives within the business to continue to drive productivity in the stores.

So, we've talked about the Burberry experience sales and service program; driving conversion once we get the traffic into the stores. Angela's referred to the refurbishment program, about getting high capacity fixtures with the new store concepts, again, in the stores to make it easier to service clients and turn them around faster. So, we're not going to give any specific metrics there, other than we're absolutely focused on driving productivity year-in year-out.

Luca Solca: Sounds double-digit.

Stacey Cartwright: I will not comment. Okay, and I missed, sorry, the second part of your question.

Luca Solca: The second part was around underlying operating expenditure inflation within Retail.

Stacey Cartwright: Well, within the business generally, we talk about mid-single-digit inflation; that's a good assumption to work off. And the same within Retail. The difference being, of course, that with the portfolio of stores, and the timing of rent renewals, and the rent reviews, you may find that that ebbs and flows from year-to-year. But broadly, mid-single-digit.

Luca Solca: Thank you very much.

Aurelie Husson-Dumoutier: Hello. Can you hear me?

Stacey Cartwright: Yes.

Aurelie Husson-Dumoutier: Aurelie Husson-Dumoutier from Societe Generale. I have two questions. The first one is can you update us on the strategy for your outlets?

And the second one would be on China. You mentioned this is a franchise business for you; can we expect Burberry own stores over there one day? And if yes, when?

Angela Ahrendts: On outlets, we've always said that they were never part of the strategy. It's kind of been a love/hate relationship. We didn't like them, but during the recession we're absolutely thrilled that we have them as a channel to liquidate some of the inventory through.

But now, as we're back to having rate momentum, etc., we have said that we're closing a couple this year. Internally, there's a lot of pressure to close even more. We don't have the inventory. We're not going to make the inventory. And as Stacey highlighted, this will put pressure on comps, will have no impact on gross margins, but it is the right thing to do for the long-term health of the business.

So, across -- and this is not a strategy in Asia; it has been really US and Europe-oriented.

From a China standpoint, I think if you just look at what we've been doing around the rest of the world, and on one-on-one meetings when we constantly get asked if we're going to be acquisitive, we constantly say that we'd prefer to acquire our own brand back around the world first. So, I think if you use what we've done in India, what we've done in the Middle East as guidance in terms of what we may consider or not consider doing, going forward.

Kate Heseltine: Morning. Kate Heseltine from RBS. Just a question. You mentioned that ASP had increased; what is the current ASP? How much has that increased? And also, how does it differ between the men's and womenswear ranges?

And also, just looking beyond this year, what are your plans for roll out of the franchise stores in emerging markets?

Angela Ahrendts: So, from an average selling price, we had said that last year it was up about 9%, and that's in the aggregate across all product divisions. This year it's trending up about 11%/11.5%. And again, this is in our own retail stores. And a lot of that is driven simply by mix as outerwear and large leather goods become a higher percentage of the total mix, if you will, as well as just a lot less inventory that we had to promote this year.

From a franchise store standpoint, again, we can tell you one-on-one too where we still have all of the different partners. And in each one of the regions where the markets are the strongest, that is where we're continuing to roll out. So, we have said X amount in China; I think we've said eight or nine in China. Turkey has been a phenomenal market for us. We have a big one opening in Ankara in the next couple of months.

So, with each partner, there are very specific strategic plans outlined over the next three years that link into our plans. That's not (inaudible) as a part of our square footage at all, and that's all reported under the Wholesale numbers. So, it is, when we talk about the reported Wholesale numbers, as you get the growth back in the department stores, you also have that coming from the franchise partners as well.

Nick Coulter: Morning. Nick Coulter from Numis. The first one, on the outlook for the year, and specifically Retail. Are there any factors that we should consider, or any reason why the comps or brand momentum shouldn't wrap around into this year? You've mentioned lower clearance sales but, clearly, you probably faced that issue in the last quarter.

Stacey Cartwright: That's the principal issue, is particularly as we approach sale. This time last year, we were already on sale in the US; we're not going on sale for another couple of weeks in that marketplace. So, clearly, that puts pressure on comp sales, but it does drive -- it's for the benefit of gross margin. It's absolutely the right thing to do.

Angela Ahrendts: And outlet sales, which we're not focused on this year.

Nick Coulter: Thanks. And then, a second one on gross margin. I know you don't like to detail between Retail and Wholesale, but can you possibly give a sense for how much each has improved? From what you're saying, it sounds like Retail is moving ahead, or improving more than Wholesale; is that a fair conclusion?

Stacey Cartwright: Yes, Retail is absolutely pushing ahead because of the reduced markdowns. Wholesale is actually under pressure. Because as you close these high margin specialty accounts across Europe, that's actually putting pressure on overall Wholesale margin, and you're building up department store sales, where those tend to be at slightly keener margins, shall we say.

Nick Coulter: Okay, thanks. And then lastly, on digital, you put a big emphasis on that today, and you've clearly got a plan. On a five-year view, where do you think that goes to? I know you're ambivalent about which channel the sales come through, but presumably you see meaningful penetration in the medium-term?

Angela Ahrendts: Yes, I'm not sure I understand the question. Again --

Nick Coulter: What percentage of sales do you expect to come directly through the Internet on a five-year view I guess is the simple way of asking it?

Angela Ahrendts: Yes, and it's kind of like I said before; we're actually not putting a number on it because the channel is trending up. I had mentioned 60% for the year was what the channel was up. But it's so fascinating. If you just take anything we've done, whether it's social media platform, artofthetrench, it doesn't all come back to e-commerce. The impact that it has on every single channel and every single market is fascinating.

So, we have not put down a five-year number on just e-commerce. We're focused more on digital marketing; we're focused more on reach. If we have a couple of million customers who come into the store, and if we historically have had 10 million customers view us online, if you keep increasing the customers that you're talking to, it just comes back. Your traffic goes up. With the Burberry experience, you're converting more of those. But it's literally, it's across every channel, which is why we're rolling the Burberry experience out with our big wholesale partners now as well.

So, we've not put -- it is -- I warn you, it is not just about one channel. This is -- it's a whole new world, and it's a myopic way to look at it.

Nick Coulter: No, I hear you on that. But I just guess that, on a long-term view, the amount of distribution through that channel will have an impact on your store portfolio, which is where I'm coming from, and ultimately impacts your CapEx and your longer term plans.

Stacey Cartwright: Can I just add one extra point here which is actually the way in which we're selling in our stores as well embraces the digital technology. So, for example, we have the devices in store now whereby if we don't have the product there, we'll get the laptop out in front -- or the slates out in front of the consumer and we will sell to them online and ship to them the next day through the online mechanism.

And that's part of what Angela's referring to here, this merging of the channels. And it's not as easy as saying, well, that comes from e-commerce and that comes from the physical presence. It's still hugely important to have the physical presence because we know that customers who see things online come into the stores, and they're referring to what they've seen online and they may have written down the description. And again, being able to confirm, by pulling up the website, that's the product you saw, that's the one you want, and then you can go and get it from the store room. So, it's really blurring across the channels right now. It's how consumers are shopping.

Nick Coulter: Thanks.

John Guy: Morning. John Guy from RBS. Three quick ones, please. Just with regards to the OpEx as a percentage of sales, I appreciate that that's going to move closer to the 50% level for '10/'11. If we're looking at a three-year view, or even going into '11/'12, looking to where that actually starts to normalize out, do you see the OpEx as a percentage of sales remaining at around the high 40% to 50% level?

And if we're looking at the store targets over the next five years, if you were looking at, in particular, mainline stores, where do you see those, actually going to? Do you have a target in mind?

And with regards to the Retail as a percentage of sales, do you think that that could hit 65% within that period?

Stacey Cartwright: I'll pick those up. In terms of OpEx as a percentage of sales, yes, it is nudging up to 50%. But I would caution people not to think of this as a cost ratio because there's so much in there that is about investment for the future.

And to be honest, I'm not going to get caught on, well, where will this normalize to? Because at this point in time, what will we be investing in in three years time that's for the future growth that comes through over the course of the next three years? So, I think all we can give you is, directionally, we're absolutely looking to get more leverage out of the business. But we won't be afraid of investing in the business where it's right to do so.

Angela Ahrendts: Basically, in my presentation, I think what I tried to say was 10% this year, and for the next -- in our three-year plan, at least that for the next three to four years.

Stacey Cartwright: And then Retail as a percentage of sales, well, we've already told you what Wholesale's going to do in the first half of this year. Strip out Spain, Wholesale's going to be up high teens. So, if you like, the anomaly was the '09/'10 year because of this lagging effect that Wholesale always has. The wholesalers came late to the party because they were still thinking -- they were buying at the point where the recession was at its height, if you like.

We've had years where Wholesale is growing at exactly the same rate as Retail. And from our point of view, it's not about just pushing a Retail percentage; it's about pushing both channels. And there are some years when some -- Retail will grow faster than Wholesale, or vice versa.

Angela Ahrendts: I did call out the US big department stores; still only 7% of our total, a lot of opportunity there.

John Guy: Thanks very much.

Stacey Cartwright: I think we've got time for one last question so make it this one.

Kate Calvert: It's Kate Calvert here from Shore Capital. Can I actually ask two questions? Sorry to be cheeky. The first one is, your iconic pricing policy, what percentage of sales does that cover? So, what percentage of sales do you regard as core?

And the second question's on the balance sheet. You've got quite a lot of cash sitting there now; what are your views on an efficient balance sheet? And your thoughts on returning the cash back to shareholders?

Angela Ahrendts: Well, on the iconic pricing policy, what it's fairly safe to assume is that most of the items that we have on replenishment. And replenishment varies by product division. In the men's or women's business, depending on the season, it can be roughly 30% to 40% of the total business. In non-apparel, it's more -- less seasonal; it's more by region. And non-apparel replenishment can represent up to 50% of the total business.

So, all of those iconic products go on replenishment, and replenishment is never marked down.

Stacey Cartwright: I think the second question was on balance sheet strategy. And just to remind you, a couple of years ago, we did have a broadly cash neutral balance sheet policy, which was extensively discussed and agreed at our Board.

Clearly, when we went into the downturn, the view was we should maintain a more prudent balance sheet; indeed, move to a stronger balance sheet position, which of course you've seen come through in the numbers.

The Board keeps this under regular review. And we believe at the moment it's still right to carry a stronger balance sheet; it gives us financial flexibility for investment opportunities. And you've seen today some of the -- the outline of some of the things that we're planning on doing. It also means, of course, that we're in the position to announce the 17% increase in the dividend that we have done today.

So, we'll keep reaffirming that 40% pay out ratio, but also maintaining a strong balance sheet.

Rupert Trotter: Just two quick ones.

Stacey Cartwright: Yes, Rupert is the last one.

Rupert Trotter: Rupert Trotter, UniCredit. Just two questions. Continuing on that, CapEx depreciation next year clearly ramping with a bit of catch-up and some acceleration to almost 2 times; can you give an idea of where that ratio should be in the medium-term?

And actually following on, ex-continuity products, or the iconic, where do you think in-season fulfillment can go within the DOS network?

Stacey Cartwright: So, if I pick up the first one. Clearly, the first question about the relationship between CapEx and depreciation begs the question, well, what's the CapEx plans for the next -- for the outer years? And all that we've talked about, in terms of new stores, refurbishments, Angela's talked about us getting by the end of this year to maybe two-thirds of the portfolio that's fully refurbished so there will be further CapEx investment in '11/'12 as well.

Think of a number, again, north of GBP100 million. And that implies that over time the depreciation number is going to have to gravitate up towards that as well.

Angela Ahrendts: From a product standpoint, we've always said from day one that the two biggest opportunities that our directly-owned stores had were replenishment, as well as flow. So, we would be very happy to have half of the business day-in and day-out as replenishment. And again, this is real narrow and deep from a style standpoint. And it's not what you see on the floor, but it's what you carry in your stock rooms, in your warehouse.

But honestly, as long as we manage that right, beyond that, the biggest opportunity is flowing fresh receipts into these stores. And it really is exemplified by April Showers. And a luxury fashion customer wants newness as -- and a lot of the new customers coming in really want the core. So, you've got to really maintain this balance.

So, very comfortable across every product division, especially the key categories; outerwear, large leather, small leather goods. If we were about half replenishment, I think that's a good business model.

Thank you very much.

Stacey Cartwright: Thank you.