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PRESENTATION

Angela Ahrendts - *Burberry Group plc - CEO*

Morning. Welcome to our preliminary results presentation, and a warm welcome to Horseferry House. I hope you had a nice walk through the showroom downstairs and had an opportunity to meet some of our tremendous management team as they were there with you.

So, we'll start. Burberry completed another very successful year with sales up 24% and adjusted profit before tax up 26%. We continued to invest in the business and have now built a strong foundation for growth, balanced by channel, region, and product division, supported by a very solid infrastructure.

Looking forward, we have great growth plans for Burberry as we shift the investment to the front end of the business to deliver sustained profitable growth, fully consistent with our brand vision, values, and positioning.

This morning, Stacey's going to preview the financial performance; I'm then going to give you a little more insight into the journey that we've been on to become a great brand and a great company, and now we're adding great growth; and then I'm going to introduce you Reg Sindall, our EVP of Corporate Resources, and he'll share some of the front end customer-focused initiatives that his team has been working on to drive our retail productivity.

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

Thank you, Angela. This morning, I'm going to briefly summarize the highlights of our full-year revenue performance, then review profits, cash, investments and our outlook for the current year.

As Angela said, Burberry completed another successful year; revenue up 24%; adjusted PBT and earnings per share up 26%; our net cash position has increased by GBP40 million to GBP338 million; and we've increased the full-year dividend by 25%.

As you can see from this slide, the majority of our growth was from the Retail channel, which is now 68% of total revenue. But Wholesale and Licensing came in very much in line with our expectations and guidance for the year.

Retail revenue increased by 31% underlying. We saw 14% comparable store sales growth for the year, 16% in the first half and 12% in the second half, with trading patterns in the fourth quarter a little less even than earlier in the year.

In mainline, store growth was broad based with double-digit increases in all product divisions and regions, driven by the initiatives that you're very familiar with. So solid growth from core outerwear, large leather goods, and replenishment styles; outperformance from Burberry London, contributing to a further increase in average selling prices; and good traction from newer initiatives, especially menswear.

By region, flagship markets in the UK, France, Germany, and Greater China performed well, while Southern Europe, especially Italy, and Korea, were softer.

And we're delighted with the progress in China with comparable store growth of well over 20% for the year, partly driven by market growth, but also by the improved retail discipline implemented by the team post the acquisition in September 2010. We've obviously started to anniversary these initial benefits now, but remain excited about the potential as we evolve the store portfolio and drive further efficiency and productivity in store.

Wholesale revenue for the year increased by 8% at constant exchange rates. However, this performance was after the conversion of China; the five Saudi franchise stores; and Spanish menswear from Wholesale to Retail; and after the continued clean up of the brand's distribution in Europe and the US. The US clean up accelerated in the second half and will continue, to some extent, in the first half of the current year.

Excluding these factors, wholesale growth in Wholesale would have been over 20%, led by Asia travel retail, emerging markets, and increasing dedicated real estate and brand momentum in the US.

And finally, Licensing, where revenue was up 5% underlying, as guided. As you can see, the non-renewal of licenses, predominantly in Japan, reduced revenue, and thus gross profit, by GBP9 million.

As Angela will touch on later, we're delighted with the performance of our global product licenses and consider them to be a source of significant opportunity in the long term. We're also continuing to prepare for the end of the Japanese apparel license in 2015.

In terms of profit for the year, we grew adjusted operating profit by 25%, with the majority of the increase coming from Retail/Wholesale, where profit was up 31% on sales growth of 25%.

This resulted in a Retail/Wholesale operating margin of 16.4%, with Retail now accounting for 68% of the sales, compared to just 49% in full-year 2008.

And as this slide shows, the 80 basis point improvement in adjusted operating margin came from operating leverage from our 25% revenue growth, a 320 basis point improvement in gross margin, but with higher operating expenses, representing both the shift to Retail and our deliberate decision to invest these gains back into the business to drive further growth and clean up legacy issues. And this approach will continue with the current year.

The phasing of revenue and investment is expected to lead to Retail/Wholesale operating margin being lower in the first half of this year than last year. But we'll continue to dynamically manage margin and expenses to deliver the further modest improvement in the Retail/Wholesale operating margin for the full year, with that improvement being delivered in the second half.

Looking now at gross margin more closely. The key drivers are the impact of China, both its conversion from Wholesale to Retail and its subsequent outperformance; secondly, enhanced pricing through brand elevation, underlying price increases, and sourcing benefits; and finally, the continued shift to Retail and the rest of Asia Pacific.

Operating expenses increased to 51.7% of revenue as our business model continued to evolve.

Looking at the absolute increase of just over GBP200 million in the year, the major factors are the general inflation in the business, turnover-related expenses, largely rents and people costs, and targeted investment in three main areas; new space, new markets, predominately five months of China, but also Latin America, Saudi, and India; and corporate activities, such as marketing, IT around digital technology, and customer services and insight, which Reg will expand upon later in this presentation.

And briefly, on Licensing, we delivered GBP90 million of operating profit. Central costs increased slightly as we strengthened our team to work ever more closely with our global partners.

Turning now to the income statement, I'd like to highlight the net finance charge of GBP0.7 million, with facility fees consuming the low interest income on our cash balance. For the current year, we'd expect slightly positive interest income.

The exceptional item of GBP10 million, which is the charge relating to the China put option liability. Remember that this is a non-cash item in the current year.

And the tax charge of GBP101 million, which represents a tax rate of 26.7%; again, in line with guidance. Looking forward, we're anticipating the tax rate will be between 25% and 26% in '12/'13.

And finally, the non-controlling interest of GBP1.8 million represents our partners' share of income in certain countries, with the positive impact of China and the Middle East balanced by early stage losses in India and Japanese non-apparel.

Before we turn to the details of the cash flow, I thought it would be worth highlighting that our business has an excellent track record of cash generation.

As you can see from this slide, over the last five years, we've invested over GBP500 million, be it in capital expenditure or acquisitions, but excluding the working capital, to support the new stores. And despite this significant period of investment, our net cash position has grown by around GBP400 million over this period.

You know this investment is always tested against our strict returns criteria and has helped drive compound annual growth in adjusted Retail/Wholesale operating profit of over 20% since the full-year 2008.

Going into the detail of the cash flow statement, we generated GBP483 million of cash from operations; that's up 32% on the prior year.

Depreciation rose to GBP88 million. We're anticipating it will increase to between GBP100 million and GBP110 million in '12/'13 as we continue to invest in the business.

We saw a small net working capital outflow over the year of GBP9 million. Within that, inventories were up 25%, primarily driven by space growth, but also increased replenishment, more inventory in transit due to shipping by sea.

In the current financial year, a key area of focus for the team is to optimize our inventory position. And building on our investment in SAP and global planning, we will improve processes and execution around monthly floor sets, purchasing, and replenishment, and anticipate that as a first step inventory growth in '12/'13 will be significantly lower than Retail sales growth.

So translating that operating cash flow into net cash, our largest cash outflow was investment, where we saw an outflow of GBP177 million, of which GBP153 million was capital expenditure. The remainder related to the China and Saudi acquisitions.

The CapEx spend was lower than guided, largely due to the delay in making payment on some of the larger projects that we're committed to.

So, together, dividends and tax increased in line with profits.

And we purchased shares for the ESOP trust totaling GBP61 million to satisfy historic awards, which resulted in net cash increasing by GBP40 million over the year.

We're continuing to invest in the business in the current year, with capital expenditure planned of between GBP180 million to GBP200 million. The majority of this is going into Retail, with the main increase in flagship markets, as you can see from this chart. This spend is on both new stores and refurbishment, be they larger format stores, mainline stores, or concessions in these highly attractive markets.

The current year, we're planning to add 12% to 14% space. As we said in April's trading update, this will be biased towards those larger format stores in flagship markets, including Regent Street, Chicago, and Pacific Place in Hong Kong.

As we move a higher proportion of our space away from the small stores towards larger stores, the larger stores will naturally have lower sales densities, so we're expecting that 12% to 14% space growth to translate into around 8% to 9% revenue growth.

These larger format stores are appraised in the same way as all store projects, by a discounted cash flow analysis, to the first break in the lease, tested against our internal hurdle rates of a 25% IRR. Now, as you can see from these charts, which look at the expected IRRs for all projects that were proposed during the last financial year, there is no such thing as an average store.

With stores ranging from a concession at less than 500 square feet to a larger format store at over 15,000 square feet and sales densities from below GBP500 a square foot to over GBP4,000 a square foot, store size in no way determines the IRR. Some of our highest IRR stores have below average sales densities, and this is why we evaluate each project on its own economics.

The slide in your pack summarizes the guidance we've given to you for '12/'13. It's also worth noting that the phasing of revenue in investment will hold back first half margins, and that currency may be a headwind for reported numbers this year.

But as we look into the current year, we remain vigilant about the external environment. We see significant opportunities for the brand and business, aiming to outperform on revenue growth, whilst modestly improving the Retail/Wholesale margin in the full year.

Thank you for your attention. I'd like to now show you our second half global highlights video, which brings our key strategies to life.

(video playing)

Angela Ahrendts - *Burberry Group plc - CEO*

That should have had a huge round of applause (laughter). And that's only six months; can you imagine?

So, as you've just seen, the business has shown solid, strategic operational and financial progress over the last 12 months. So today I'm going to briefly summarize our achievements over the first part of our journey, but, more importantly, talk about the current focus of our teams and highlight some of the opportunities that exist for Burberry looking forward.

Over the last six years, we've more than doubled both revenue and profit, and have significantly improved the quality of that profit. We've invested heavily in the brand and the store network and the infrastructure of the business, whilst continuing to correct legacy practices that are inconsistent with our brand's positioning.

We've extended reach, awareness, and engagement through digital innovation. We've elevated the brand in terms of product, pricing, and in store experience.

We've put creative thinking at the heart of the culture to foster innovation across every part of the business, whilst striving to be a great brand and a great company generating sustainable profitable growth in a socially and environmentally responsible manner.

So let me just remind you how the business has evolved since 2006 and why we are so excited about our future prospects.

By channel, we are now retail-led, giving us much greater control over the brand. Retail is now 68% of annual revenue; it was 72% in the second half, up from less than half in 2006.

By geography, we now have a well-balanced business, with strong core markets and greater exposure to growth in these markets. Despite closing our local premium Spanish operation in 2009, Europe is still one-third of our sales. Asia Pacific is now our largest region, with revenue up over 4 times in the six-year period.

By product, our business is again very balanced, which differentiates us from many of our luxury peers. Non-apparel is 40% of our Retail/Wholesale revenues, underpinned by large leather goods, while outerwear, which is at the core of everything we do, is half of our apparel business.

Our five key strategies are as relevant today as they were in 2006, so let me give you a brief outline on each and a few of the achievements in our current areas of focus, as well as some future opportunities we see to continue to drive growth.

First, you should have these memorized, leverage the franchise, or one company, one pure brand. By relabeling and refocusing our London collection, we have rebalanced our product pyramid, significantly increasing our average selling price over the period. London now accounts for 40% of apparel sales; up from one-quarter six years ago.

Synchronization across retail, wholesale, and digital channels, centered around monthly floor sets, has enabled a much more consistent brand projection across all customer touch points globally.

And Burberry's very well known for innovative marketing, leveraging brand content to extend reach, and impact to engage and connect with consumers globally; whether it's Burberry Bespoke on our content-rich burberry.com website, our continued leadership position on social media in the luxury sector, or increased investment in outdoor advertising at key transport hubs and iconic urban locations focused in flagship markets.

Currently, a key focus for the team is to reclaim our menswear heritage. With men's apparel up 26% underlying in what was the first full year of it being an in-house collection, we see many opportunities for this business, particularly in optimizing outerwear and intensifying our efforts in tailoring.

You'll see refined product strategy in terms of assortment, fit, sourcing, and distribution, and a new way of selling tailoring in store with a digital pilot now rolled out to 60 doors in flagship markets. These are all supported by increased dedicated marketing.

Longer term, there's a clear opportunity to unlock the potential also of our licensing businesses, whether that's in Japan or our global product licenses. We're making solid progress in Japan, refining merchandizing and marketing strategies and building the brand's future platform in this legacy market.

The launch of Burberry Body showed what our teams, working with our partner, can accomplish when we altogether focus on what we call a big brand project. And now we're launching our new iconic watch later this fall.

As this slide shows, we've made huge progress in non-apparel. We've more than tripled the size of the business and have it now solidly centered on large leather goods. We've built a substantial high margin replenishment business, which is now 60% of our non-apparel sales. And today, the teams are focused on replicating the success of large leather goods in other product categories, such as soft accessories and our developing shoe business.

Another opportunity we see in non-apparel is men's accessories, and this is a natural fit for Burberry, given our heritage. And while it's already 15% of our total non-apparel business, we're looking for men's non-apparel to grow at twice the rate of women's over the medium term.

As we saw earlier, Retail has been the primary driver of revenue growth for the Group over the last six years, driven by consistently positive comp store growth and the expansion of our store network.

So our focus today is on continuing to drive Retail productivity, for example, through enhanced customer service and insight, that Reg is going to explain next. Productivity is the most potent lever for profitable growth.

But looking forward, the biggest opportunity for us is to continue to execute our flagship/cluster strategy. We are prioritizing our investment in these large flagship markets with either corporate initiatives, such as logistics or customer service; or strategically deploying different store formats to optimize sales, opening a menswear standalone store in London, as an example; or strengthening our department store concession presence in key European cities.

And we're very excited about our large format stores, which we're opening in downtown Chicago, Pacific Place in Hong Kong, and, of course, our store of the future at Regent Street, here in London. It will open later this summer. It's about 27,000 square feet of net selling space; it will be our largest store in the world.

With all of these developments, we are increasingly blurring the line between physical and digital, much as we did at the recent launch at our store event in Taipei last month. And so for those of you who haven't seen it on YouTube or burberry.com, shame on you, but I will show you a video highlighting it.

(video playing)

Fully immersive 360-digital experience. And if you didn't see every one of our strategies powerfully reinforced, from outerwear to our British heritage, literally in everything we do, even a local store event.

But since 2007 we have had significant growth in our presence in high potential emerging markets and under-penetrated developed markets, which we had called out early on, like the US.

In emerging markets, total revenue has grown nearly tenfold and now represents 2% -- I'm sorry, 21% of Group Retail/Wholesale revenue. We're exercising much greater control in these markets, having taken back the franchise stores in China, the Middle East, and India.

Given the importance of the mainline Chinese customer to the Group, both at home and abroad, we're intensely focused here. Reg will talk about some of the initiatives that we've put in place to further engage these customers shortly.

And our work upgrading our real estate in key US department store partners remains a key focus in the coming years.

Under opportunities, we also need to ensure we invest in the growth markets of the future; be it Latin America, India, or elsewhere, where the demographics are increasingly compelling. So we're continuing to invest in these key markets, opening between five stores and 10 stores in Central and Latin America, and involving our service offerings to better service this customer when they travel.

We're also opening franchise stores in very new, small, emerging markets, such as Croatia and South Africa, to continue to build brand presence in the next generation of high potential luxury markets.

The substantial progress we've made operationally and financially has been driven by the considerable investment in the infrastructure of the organization, which you can see on this slide. The investment has enabled gross margin improvement of 13 percentage points, while improving product quality, decreasing unit costs, and significantly increasing mainline sales.

A key focus of the team today is to ensure that this infrastructure continues to efficiently and effectively accommodate our growth plans. So take logistics as an example; we're evolving our distribution structure through the recent opening of a European hub in Italy, doubling the size of the Asia hub in Hong Kong, and opening a local DC in China to unlock speed of delivery to those stores.

Looking forward, we still have opportunities to drive productivity and efficiency using our enhanced capabilities, whether that's in assortment planning, or balanced monthly flow, and high margin replenishment, or optimizing our inventory level.

And operational excellence will continue to be one of the key drivers of our aim to modestly improve Retail/Wholesale operating margins each year.

So, as you can see, we've made substantial progress in the last six years, building a strong foundation to support our future growth. As we look forward, we're excited to shift our investment and focus to the front end of our business over the next few years, optimizing compelling opportunities by channel, region, and product. We have great ambitions for our great brand.

Over this period, we've become much more retail and digital led. We've also been investing to become more customer centric. This morning, I'd like to turn the spotlight on Customer Resources; I've asked Reg Sindall to update you.

Reg joined us in June 2007 with a background in retail, hospitality, and, particularly, in customer service. At that time, he gave me a five-year commitment to help us build a customer service platform, which he and his team have done absolutely brilliantly, and which I am personally very grateful, Reg. Thank you.

So I'm going to turn it over to Reg, and let him share some further insight.

Reg Sindall - *Burberry Group plc - EVP, Corporate Resources*

Thank you, Angela, and good morning. Angela's talked in the past about how we're nothing without being great products, but we're also nothing without great service. The customer experience is absolutely central to what we do; the better the experience, ultimately, the higher the sales and profit and the greater the customer loyalty.

This morning, I'd like to share with you how we've built a robust infrastructure in Customer Resources and will now use this platform to connect, to build, an emotional connection between the brand and the customer. And we will identify individual customers, using innovative technology, to drive and deliver personalized contact.

So when I joined Burberry in 2007 I inherited a team of about 20 people, dedicated to customer-facing activities. Today, the team number's around 200.

And now we have four teams, all of which operate on a global basis; service and productivity, responsible for brand sales and service standards; client services, looking after our high net worth customers; and customer services, handling online, innovative, digital, and phone engagements; and most recently, customer insight, using customer data to drive better decisions throughout the business.

In April, Steve Sacks was promoted to become Chief Customer Officer, bringing these four teams together under the umbrella name of Customer Resources. Steve joined us last year to build the customer insight function, having previously headed Insight for Lloyds Banking Group.

Let's turn first to service and productivity, where our goal is very simple; to deliver an innovative, number one customer experience, positioning Burberry and positioning our service as a distinctive asset of the Burberry brand.

Our key initiative has been the Burberry Experience; our first ever global sales and service program. The eight modules cover customer service and selling skills and, wherever possible, they're delivered digitally. And they cover all aspects of the customer journey. This is supported by a team of over 40 people globally.

Rollout started in 2008. And as a measure of how important this is to us, investment was not cut back during the financial crisis, which started that year.

All of our 4,000-plus sales associates, in 31 countries, in 14 languages have been through the first eight parts of this program, giving us global consistency of in-store service, sales, and, importantly, product knowledge.

Since June 2011, 2,500 sales associates, in 27 countries, in over eight languages have been through the Burberry Experience 2.0, which builds on the original modules and is about offering a more personalized service to drive customer loyalty and sales, based around our 4Cs of the customer journey; connect, capture, convert, and cultivate.

These programs have built the foundations for an improved customer experience, not just enabling us to catch up with our peers, but to innovate and differentiate our service offering. For example, in autumn 2011, we developed a new module, called the Chinese customer in your store. We believe this is unique in luxury.

Based on research we did with Nielsen to build consumer segmentation tools, it helps our sales associates to identify one of six categories of Chinese customers and, of course, serving them accordingly.

For example, the Fu Er Dai, the second generation wealthy Chinese, are young, fashion-forward shoppers, digitally savvy, and they're luxury shoppers who want to buy the very latest arrivals. They shop in a fundamentally different way to the provincial businessmen, who typically travel in groups, are much more conservative, and love to shop for giftables to take back from business trips.

Around 650 sales associates in stores outside of Mainland China have been through this program to date, and it's proven to be so successful that later this year we'll be launching the Brazilian customer in your store.

The focus today is on employing the Burberry Experience to drive Retail comp growth. But, importantly, our customers are recognizing the difference too.

We undertake third party mystery shopping across the entire store network every month and it's good to see that the global average score has moved from 72, at launch, to 82, as shown on this slide, with a number of stores now consistently achieving scores of 100. What's really encouraging is the rapid improvement we've seen in China since rollout.

Looking forward, the opportunity is to continue to improve the customer experience across all consumer touch points, supporting franchisees, key wholesale partners, and our customer service and client services colleagues worldwide, to provide distinctive service and aiding the continued roll out of innovative technology in store.

Our second initiative was the creation of our first ever client services team. Although our luxury peers have been serving VICs for many years, we believe the Burberry approach is fundamentally different; offering a one-to-one luxury shopping experience to our high net worth customers that's personalized, multi-channel, be it in store, online or off site, and consistent across the globe.

The team are increasingly globally connected, which is really important as our VICs travel the world. And we now use a single global shared database, rather than being dependent on the traditional personal shopper's black book.

Today, we have a team of around 50 people, including highly trained client services managers and consultants, in 30 locations worldwide, who speak more than 20 languages, with our priority being our flagship market. Importantly, over half the team are internal promotion, creating exciting career opportunities to retain our very best sales associates.

And these VIC programs are important to us as they improve loyalty among our highest spending customers, while driving key retail metrics. Now, this is as fashion-forward customer. Prorsum is over 20% of their purchases; around four times the Group average.

The average transaction value for our VICs is nearly double that for the Group, driven by significantly higher units per transaction and average unit realization, which means that the financial payback is compelling.

Client services consultants simply outperform normal sales associates in terms of revenue generated so, in terms of opportunities, we're aiming to more than double the number of client services consultants during 2012/'13 to around 100; again, with the focus on flagship markets.

We'll also invest in the infrastructure to support these consultants, including the rollout of intimate luxury VIC areas in our larger format stores; building relationships with third party local and global associations to serve their high net worth clients; and over time leveraging the customer insight information that we're building to engage with customers in an increasingly tailored way.

The third area I'd like to address is customer service, or how we connect with our customers by phone and online; looking to inspire and empower every customer with every contact through every channel.

The launch of burberry.com, our global digital commerce platform, in January 2011 meant we had to rethink our approach here. Previously, we had just three people in New York, eight here in Europe, and nobody at all in Asia.

In a little over 12 months, we've built a team of 75 people in three contact centers in London, New York, and Hong Kong. And, importantly, they're all Burberry people; they're all passionate about fashion, and equally passionate about delivering great service. We believe this is a real differentiator against both our luxury peers and other leading customer-facing businesses.

As you can see from this slide, we are the only luxury player to offer contact by phone, email, click-to-call, and click-to-chat 24 hours a day, seven days a week, in 14 languages. And click-to-chat is now one-quarter of our contact; the same as email, up from zero 18 months ago.

Our focus today is to better connect with customers. In the last financial year, we had nearly 0.5 million customer touch points through this team, more than double the previous year, while the team is also significantly increasing the level of direct sales it makes to customers as part of that service. And the opportunity going forward is to embrace innovative digital technology to give customers access to Burberry through whichever channels they choose.

We're exploring new ideas, such as two-way customer engagement via social media. For example, earlier this month we launched the Burberry Customer Service Twitter account and Burberry Service. We're also looking at click-to-chat from mobile devices and the use of FaceTime and Video Chat.

Another opportunity we're trialing is taking customer calls from our stores, not only to improve customer service, but also to drive retail productivity, allowing the sales associates to directly serve customers rather than just answering the phone. The early results have been really encouraging, and around 60% to 75% of all calls can be resolved directly by the customer service teams.

Our fourth and most recent initiative is customer insight; turning data into intelligence, intelligence into insight, and insight into foresight. As this slide suggests, you can see why customer insight is so important. It's potentially at the heart of nearly everything we do, and the prize is huge.

If we could increase the percentage of loyal customers by just 5%, sales would benefit by up to GBP150 million. And if we could increase conversion rates across the globe by just 1%, sales would increase even more significantly.

Our first area of focus for this team was to clean up our existing databases and then capture more names. We have already moved from having 22 disparate databases to just one; and the number of names has already doubled, albeit from a small base. And we have embedded data capture into our ways of working, for example, through sales associate incentives.

Our second priority was to employ analytical tools to drive customer insight. We can help to make better business decisions in areas such as store staffing, our planning, merchandising, and marketing by looking at the collective behavior of our customers. And by developing a single customer view, this will enable more personalized communication; for example, moving from generic email blasts to specific contact to target individual needs and preferences.

We believe that the investment in a customer insight team will be a transformational opportunity for Burberry. We will leverage the customer insight we gather through innovative technology; for example, working closely with our key technology partners, we have a cross-functional team developing a clienteling app. This application will centralize information from more than 10 different business systems, including Salesforce and SAP, to create a true 360-degree view of our customers.

And then offer sales associates in store and our contact center team near real-time data on individual customer's history and preferences. And we have some very exciting developments underway about how to actually identify individual customers in real time in store, especially important for servicing the traveling luxury customer.

Now we're just at the very early stages of learning here, but we look forward to updating you in the future.

So, in conclusion, as with so many other parts of Burberry, we've now built a strong foundation in Customer Resources. Training is central for the customer experience, and we have invested in this through our global sales and service program.

We have established a platform to ensure that our VICs, especially in flagship markets, are identified and encouraged with good, early benefits.

We have industry leading contact centers so customer engagement is consistent across channels.

And we're now developing customer data and analytic capabilities.

And critically, all of our sales associates around the world now fully understand that great service is never ever a destination; it's always a journey.

And the opportunities now are to capitalize on this investment in people and the platform; to identify individual customers; to create an emotional connection with the brand; to personalize the offer, making it seamless across all channels; and communicating using innovative technology and making better business decisions. And all of this, to drive loyalty, conversion, and retail productivity.

Before I hand back to Angela for her concluding remarks, let me leave you with a short clip on cultivating the relationship we've been using at our internal conferences over the last few weeks.

(video playing)

Angela Ahrendts - *Burberry Group plc - CEO*

Thanks very much, Reg. So, in summary, Burberry has made significant progress towards our long-term objective of not only becoming a great brand but becoming a great growth company.

We've repositioned the brand and built a strong foundation upon which to leverage our very connected, passionate, creative-thinking culture. Today, we have over 9,500 associates, I would argue the best in the sector, worldwide that are more united strategically, digitally, and emotionally, and highly cognizant that through the Burberry foundation many more lives will continue to be touched and transformed by the power of our performance.

We have never been better positioned to drive sustained profitable growth over the long term, investing in our key strategies wholly consistent with our brand vision, values, and positioning, and always vigilant about the challenges presented by the external environment.

We are excited and united about the many opportunities ahead and have great ambition for Burberry in the coming years.

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

QUESTIONS AND ANSWERS

John Guy - *Berenberg Bank - Analyst*

John Guy, Berenberg. A couple of questions from me, please, on the spend; the GBP200 million additional on costs. With regards to the acquisition -- or the transition on China and Saudi, within the GBP200 million, could you just let us know how much is made up of that?

With regards to new stores and inflation, if you could just quantify and breakdown within the incremental how that stacks up?

You also called out South Italy and Korea as two softer markets, could we get an idea as to where the actual sales have declined within those markets, and whether or not it's a question, especially in Korea, given where your average price is -- increases are within that market, whether or not it's a question of Koreans actually travelling outside Korea to buy the product cheaper elsewhere?

And final question is --

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

I don't have a pen or paper.

Angela Ahrendts - *Burberry Group plc - CEO*

I was going to say, we're not writing these down. Wait. But also, we -- no, it's okay. So let's -- we can take them almost one at a time because I can't remember the first one now. So -- but, no, go on the soft markets because I think it's really important that we call up the high growth markets, like China, etc., but that we also tell you what some of the smaller markets that are softening. It's no secret Italy has softened; it's no secret Korea has softened.

Korea, our peers have all softened; it's a combination of traveling tourists; it's a combination of local customers changing tastes. Some of ours in Korea has been self-inflicted. We haven't evolved at the pace that we have in a lot of the other markets. Opportunity. We've put up great numbers with Korea softening, so the teams are very focused on it. We've got a great strategy to turn Korea around in the medium term.

Italy is a little trickier. We're focused on the things we can control. Our flagships are outperforming in Italy so we are investing in our retail infrastructure in Italy; that is one of the areas we've been rationalizing our specialty store base.

I think China and Saudi --

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

Well, I think the second question was around the cost base. Bear in mind, we are getting operating leverage out of this business. And it's only through the reinvestment of the gains that we're seeing from that operating leverage back into driving future growth, new markets, new areas, just as you've seen from Reg today, that would preclude us from delivering a higher operating margin expansion, which I think is where you're going with your question.

For us, it's about striking the right balance here. It's about making sure that we're investing in the business for sustainable long-term growth, whilst at the same time delivering that modest operating margin improvement year after year. So that's just to set the context.

In terms of actual costs, we are seeing mid single-digit inflation increase, just as you would expect us to see. But remember that there are certain parts of investment across the business, or costs across the business that are turnover related; so turnover rents. So if retail sales are going to be up 31%, in those stores where you have turnover-based rents you're going to see, from a success-based point of view, the rents up by that amount.

THOMSON REUTERS

Then you start to look at the areas of new investment. There are tens of millions of pounds that have gone into ensuring that we have the right infrastructure to grow the Chinese business, and obviously the store operating costs in China.

Saudi is less material. But we will continue to do that, we'll continue to invest more in marketing and IT. So marketing, again, if you're maintaining marketing at about the same percentage as sale, you have retail sales growing 31%, that's going to lead to a higher marketing budget.

We're always looking at the ways in which we can spend that more innovatively, get greater reach. You know how we've shifted the mix towards digital in recent years. We've also seen over the course of the last year how we've leveraged outdoor advertising besides.

So for us it's all about the balance of making sure that we deliver the operating margin expansion to the bottom line, but keep investing in the business to drive that top line and get the operating leverage.

Angela Ahrendts - *Burberry Group plc - CEO*

And a couple of other investments, too. Realize Central and Latin America, that's a big investment. India is a big investment. And those are -- those have longer tails on them.

And it was really important calling out the Retail piece because, do realize, the shift of Wholesale next-to-no cost to Retail. So that's the biggest; 43% Retail six years ago, 72% on the back half of this year. It's a different expense structure.

John Guy - *Berenberg Bank - Analyst*

Thanks, I get all of that. I think it's -- when I'm looking at the peer group average on OpEx as a percentage of sales, you're close to 700 basis points higher. I appreciate that there's more investment going into the business, but I'm just trying to get a sense of where you think the OpEx normalizes.

I appreciate sales densities should continue to rise, so it's just a question of balance and it's a question of spending more going into this FY '13 year as well. So I'm trying to get a sense of when that spend rate effectively starts to normalize, rather than maybe (multiple speakers).

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

And that's why we guide you to Retail/Wholesale operating margin on a net basis because there are lots of opportunities out there. There's lots of -- whether it's the new markets, the new areas, as you've heard today, it's ensuring that we strike the right balance in terms of delivering the right growth for the future.

And I'm going to repeat myself; we -- and expect to deliver modest operating margin improvement year after year, just as we have done in the year just gone.

Simon Irwin - *Liberum Capital - Analyst*

Simon Irwin, Liberum Capital. You gave us some charts about store returns by using various measures; you didn't give us geography there. In particular, can you just talk a little bit more about your expectation for how the larger flagship stores, certainly in the West, tend to ramp up as you open them? Do they ramp up as fast as Asia? And how does that impact hurdle rates?

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

We didn't give geography on the chart. We gave two of the metrics; we could have given geography besides. I think it's fair to say the further east you go the higher the returns. Those are the ones that are highest above the IRR hurdle rate, and they are the fastest ones, typically, to kick into high productivity mode.

That said, there are still fantastic projects in Europe. In fact, there are one or two projects in Europe. If our President of Europe is here, he will remind me that they are on a par with some of the top stores in Asia.

And then in the Americas, I think it's fair to say, from a productivity point of view and from a pricing point of view, you start one notch further back. So those are more difficult to consistently get significantly ahead of the 25% IRR hurdle rate that we expect.

Simon Irwin - *Liberum Capital - Analyst*

So just in terms of how we should think about it, how quickly do you think a large flagship store in the West will take to hit maturity? Or [store you close]. Is it five years?

Angela Ahrendts - *Burberry Group plc - CEO*

What are tourist patterns?

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

Yes.

Angela Ahrendts - *Burberry Group plc - CEO*

What are -- it's a tough one.

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

Each store is different. So, I'm afraid, just as we put the scatter-gun chart up for that, I'd have a similar scatter-gun chart for how fast do they reach maturity.

Simon Irwin - *Liberum Capital - Analyst*

Okay. Can you just talk a bit about eCommerce and in terms of how significant that is, is it kind of pure, and what your thoughts are about the different channels in which people transact?

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

Sorry, I didn't hear that, the first part of the question.

Angela Ahrendts - *Burberry Group plc - CEO*

How different the channel is; talk about eCommerce and how different the channel is. And I will tell you, we don't talk about eCommerce as a channel. We talk about it as the greatest marketing gift that we've ever been given because it enables us to put up the most compelling content and to touch the most number of consumers around the world.

In luxury, all the reports say that the majority of customers prefer to shop online and then go to the store and so we've launched a couple of new pilots here in London; shop online, buy online, pick up in store. But we also have every sales associate, as Reg mentioned, armed with iPads in the stores so we do see that a rapidly growing part of our digital business is actually transacted through an iPad in our own stores.

So the lines are consistently blurring. We don't pull them out as a channel, we don't talk it as a channel, but I will tell you it single handedly is having the greatest impact on the brand; touching consumers worldwide with a very pure, consistent brand message.

Simon Irwin - *Liberum Capital - Analyst*

Okay. And one final question, just on Japan post 2015. Can you give us some -- an update on your thoughts as to how the business will make the transition?

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

No secret, the apparel license comes to an end in 2015, and we are positioning ourselves to have global product in that marketplace from 2015 onwards.

There's a very small change going on, literally this autumn, in that the childrenswear business, previously run under license in Japan, will translate over to the global childrenswear collections. So think of that as sort of a small first start, but absolutely the intention is to put global products in that marketplace.

Clearly, what that means is the very broad distribution that you have for the premium licensed product today will be replaced by a narrower distribution, but obviously carrying the global product and at global price points. So there's a transition to be gone through, but that is the vision.

There will naturally be a larger retail presence than certainly we have today. There's a lot of the business that's run in -- under our licensee today that's run through the Japanese department stores. You can expect us to do more on the retail front in that marketplace.

We've already started; we have our flagship stores in Omotesando and Ginza. And there will be certain other projects besides, just to make sure that we've got that right luxury positioning in the marketplace even outside of the Japanese department stores.

Simon Irwin - *Liberum Capital - Analyst*

Thank you.

Fraser Ramzan - *Nomura Securities - Analyst*

Fraser Ramzan, Nomura. Actually, just one simple question. You've laid out a lot of growth initiatives for the brand, lots of way of driving up AUR product, real estate initiatives, etc.; a very simple one, how big do you, Angela, think this brand can be?

Angela Ahrendts - *Burberry Group plc - CEO*

Again, I think that we're sharing with you a lot of the exciting growth prospects, because we did double this business in five years; we doubled the profit in six years. We would have doubled the profit in five had it not been for 2008.

And I think the most important message for me that I try to at least share with our teams worldwide, we have spent six years putting this infrastructure in place. Remember, we had no supply chain; we had no logistics center.

So we have put this foundation in place. We have SAP in 95% of our markets around the world today, etc., we have a united team, with the lowest turnover rate in the history of the Company. That infrastructure's there, we're now taking this investment and for the first time putting the majority of that over on the front of the business. Now we'll let the retailers, now we'll let this team have fun. To me, that is single handedly the biggest message.

We talk internally let the games begin. We never had an infrastructure to leverage this business off of, and we have one today.

Fraser Ramzan - *Nomura Securities - Analyst*

So you service more product categories, more customers, potentially, than many of your much larger luxury peers, so what does that mean?

Angela Ahrendts - *Burberry Group plc - CEO*

We don't talk about current trading, and we don't usually talk about our three and five-year plans, which our Board and our Chairman, sitting in the front row, are very familiar with.

So we try to use good words, big ambition, great growth plans and, honestly, I'd prefer not to quantify it any more than that. I think that let history speak for itself.

This is one of the most united, connected teams in the sector today, putting out the most compelling content, attracting more loyal customers than any brand. I wanted Reg to share with you this big investment that you didn't even know about. That's more ammunition in the arsenal to outperform our peers. And we are outperforming our peers in most of the developed market. So use all of them, and I'll let you decide how big we can be.

Thomas Chauvet - *Citigroup - Analyst*

Thomas Chauvet, Citigroup. Two questions. The first one, could you tell us how the EBIT margin differential between Wholesale and Retail has evolved over the past year?

Secondly, on China, you now have the right distribution model in place, the right structure, you've hired a lot of people, you've invested in the business. How do you see the next phase of growth for the brand in China at the time we start to see a very contrasted trend between key players now in the country? And how has the operating margin evolved in your Chinese business since the -- from the 18% margin that your franchise partner used to achieve at the time you acquired it? Thank you.

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

I'll take the first one in terms of Retail and Wholesale separate margins. As you know Thomas, we don't give it to you because we don't measure it that way internally, insofar as there's so much that goes on at the back end of the business that's run on an integrated basis.

The way in which the regions run their businesses is on an integrated basis, so the President for Europe, the President for Asia, they are looking to optimize performance across the Retail and Wholesale channels, integrated.

That said, every now and again we will do a snapshot look at what the metrics might look like. And clearly, with the outperformance that you've seen on Retail and driving store productivity as we are, fair to say that the gap is narrowing.

But our expectation isn't that you will see that close in absolute terms because there's very little in the way of a cost structure that's associated with the pure Wholesale channel. And that goes back to when we were majority wholesale we didn't have the cost infrastructure that we have today because that's what you need when you're running a retail business.

But we're very pleased with how the Retail part of the business is performing, and how we're driving store productivity.

Angela Ahrendts - *Burberry Group plc - CEO*

Yes, I'll take the first half of China. So, again, great team. We actually just took our Board to the Shanghai office so they could meet the 150 associates we have on the ground there with a really seasoned luxury managing director of that business.

When we bought the business the average store size was 2,000 square feet, so it doesn't take a rocket scientist to say you need larger stores in those flagship markets, etc.

But, for us, it's not about more stores. So there's 100 cities that are rapidly growing; we're focused on the top 30. And we tell the teams there's basically -- the top 30 is like 30 Londons in China, so what is the flagship cluster strategy in those top 30 markets? And we are very focused. We have the eight stores in Beijing now. We've switched the spotlight over to Shanghai; we've got two flagships under construction, and a third one right behind that.

So we are closing the smaller outlying stores, if you will, some of the smaller ones we acquired, and then we're opening up big, bigger, what we call them large format stores, that have the world of Burberry totally represent the brand, etc. So it is not just about going and plastering stores. It's very strategic; it is top down from the most progressive cities on down.

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

In terms of China operating margin, yes, it was 18% at the point of the acquisition, which I think was part of the disclosures around the operating model under the previous franchisee. Fair to say, that has improved.

We don't go into the detail of splitting out profitability by the individual territories. It has improved, but bear in mind we've also put the added investment in, everything we've talked about in terms of the store investment, but also marketing investment on the ground in China. There was very little that was being done within that 18% operating margin that you saw.

So, if you like, yes, we've improved it, but we've also improved it to a higher quality in that we're putting the right investment in on the ground, as well.

Geoff Lowery - *Redburn Partners - Analyst*

Geoff Lowery, Redburn. Two questions about space, please. You've been very clear about what you think your new space contributes to sales this year, it's quite a lot less than the Group average in terms of conversion rates, what does it do to the OpEx space? I guess the real question is are you suggesting it's lower EBIT margin, higher EBIT margin, or what?

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

Yes, not necessarily. Don't follow the logic that if it's lower sales per square foot it equals lower -- you're impacted by the same operating costs.

Take Regent Street, for example, Regent Street, fantastic, it'll be our largest flagship store in the world. But of course it's on more than one floor and as you move on up through the floors, guess what, you're not going to get the same sales density. But you're also not paying the equivalent of the rent per square foot, and you're leveraging off one store manager.

So that's why when we showed you the scatter graph of projected returns and the size of the store, etc., one doesn't correlate to the other, and below average sales densities can still deliver above average IRR.

Geoff Lowery - *Redburn Partners - Analyst*

So you don't expect it to be margin dilutive?

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

No.

Geoff Lowery - *Redburn Partners - Analyst*

Second one in terms of your ambitions. You've used very strong language about the scope, the potential for the brand, in that context, when you talk about sort of 10% space growth, the risk feels to the upside on that number in the next three years, would that be a fair read?

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

Yes, we conduct a three-year planning process with all of our teams globally, and fair to say that in terms of the projects that are coming through, those that are on the potential agenda, one year, two years, three, we are seeing more opportunities than simply a 10% space expansion.

But we're trying to balance execution locally. It's not about financing per se; it's about making sure that we've got the right resource, both corporately and in the regions, to execute brilliantly. But, yes, there's no absence of opportunities.

Geoff Lowery - *Redburn Partners - Analyst*

Great, thanks.

Julian Easthope - *Barclays Capital - Analyst*

Julian Easthope, Barclays Capital. Just a couple of questions. First one on pricing. Given the fall seen in currencies, there's clearly bigger discrepancies between the pricing in Europe to China, which appears to be encouraging more tourism growth. Are you going to do something to the European pricing? Or how can you actually move pricing to narrow that gap?

And the second question, you talked a lot about the last five or six years, can you say how A&P spend has moved over the last five to six years, as well? Thanks.

Angela Ahrendts - *Burberry Group plc - CEO*

What?

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

A&P. Okay, so first question I think is on pricing; do you want --?

Angela Ahrendts - *Burberry Group plc - CEO*

Yes, I can take it, it doesn't matter. Couple of things. So we have a guy sitting in the front row who created an entire pricing department for us literally two years ago, I believe. So it is a strategic lever at this point.

And we have always said that the more we play in the digital world the more imperative it is that we have total transparency when it comes to pricing. You can't totally get to global pricing, but the only differences should be the cost of entry into that market, like duty, freight, etc. So we've been on that journey market by market, country by country, just quietly adjusting prices where we see fit. That's one part of it.

But the other part of it has been, and Stacey called it out in her presentation, when we started six years ago, realize at the base of the pyramid was where three quarters of the business was done. So to have 43%/44% of the business today in Prorsum, and in London, it is almost the opposite.

So a lot of it's been with mix as well. And that's why we keep repeating, half of the non-apparel business is large leather; that's the highest average unit retail category we have in non-apparel. Half of the apparel business is outer wear; that is the most expensive, the highest average unit retail.

So there's a mix piece, and then there's also strategically pricing market by market. And we will continue to do that in a very discreet, very opportunistic way because we are pretty out there with customers digitally and wouldn't want to do anything to make them second guess that we were doing something on pricing.

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

The second question was around A&P, I think, in terms of how has it shifted. Again, we have our Chief Marketing officer on the front row who will probably tell me not enough.

We've nudged it very slightly, but really the growth in the marketing spend year on year has come from the revenue outperformance. And then what the team have done brilliantly is to get greater reach from that by this shift to digital, and by the more recent shift to outdoor as well.

Julian Easthope - *Barclays Capital - Analyst*

Thanks. Just as a follow up, in terms of -- does that mean in terms of your pricing you end up with a similar gross margin for each of the different regions then? Is that the aim?

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

No. Bear in mind that there is a global pricing architecture that exists that we follow in terms of what our luxury peers do; doesn't necessarily translate into gross margin because you have in certain markets, even China, high freight and duty costs to get product into that market.

Hong Kong, for example, you don't have anything like that and yet in Hong Kong you'll have a price uplift that is much more helpful.

Julian Easthope - *Barclays Capital - Analyst*

Thank you.

Louise Singlehurst - *Morgan Stanley - Analyst*

Louise Singlehurst, Morgan Stanley. Just two or three questions from me, please. Just going back to the question on property and the flagships that we've been speaking about today, how difficult is it to get some of those flagship spaces in terms of very tight space we're hearing across the key cities? We know a lot of the peer group are fighting for more space in a similar flagship move.

And then secondly, can you talk about the men's product. You spoke about the non-apparel opportunity; we've also been hearing about the bespoke tailoring and the rollout of the trialing, I think particularly in Hong Kong. Are there any anecdotes that you can share there?

And then the final question, are you thinking about costs any differently today, how you look across the business over the next 12 months, versus two or three months ago?

Angela Ahrendts - *Burberry Group plc - CEO*

So, is real estate getting more competitive, absolutely positively; in every market from Moscow to Milan. And we are up against very big competitive peers who use their multi brands, if you will. But we like to say that we are faster and we've got teams on the ground, and we have been able -- and Taipei's a perfect example, but we have been able in many places to make decisions faster, react faster, etc.

So it is highly competitive, prices are absolutely going up, but we're holding our own.

From a menswear standpoint, I think the most important message on menswear is that it's our first full year of having 100% of our men's business in-house.

So, again, remember that there were 15 licenses six years ago, outerwear licenses, tailoring licenses, pant licenses in Italy, and they're gone. It took a long time to unwind them, legally, officially, etc. So the first full year. The men's tailoring is only in 60 stores as a digital launch.

So that's the biggest message. It is -- and we were born as a men's brand but yet men's had not grown because it was licensed for over 10 years. So we actually think, we had called it out in one of the prior presentations, that menswear is one of our largest growth opportunities; add on to that then men's non-apparel, which is a separate opportunity into itself.

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

And then I think your final question, Louise, is are we thinking any different on costs? I think in the current environment all of our Exec team, senior management, and down through the organization, everyone is remaining vigilant and responsible, I think, just so that we are prepared.

Clearly, we reacted very speedily in 2008 and, should the need arise, we could react speedily again.

Angela Ahrendts - *Burberry Group plc - CEO*

Let me get -- I think we try to get it across pretty consistently in our messaging; we've always said that no matter how big we get we're not going to lose our entrepreneurial magic, and realize that's the only way we can win against the LV conglomerates and the big PPR conglomerates.

So we pride ourselves on being dynamic and fast and flexible; not just in driving the business, but if we can push we're going to push. If we have to slow, we'll slow. But that dynamism exists regardless.

Rogerio Fujimori - *Credit Suisse - Analyst*

Rogerio Fujimori, Credit Suisse. Could you just talk a little bit about America, America Wholesale, in particular the pipeline of for shop-in-shop openings in key department stores this year? Thank you.

Angela Ahrendts - *Burberry Group plc - CEO*

Sure, and let's start out by saying that the US department stores, because I think they have such a big presence, but for us it's only about 8% of our total revenue.

And I will tell you they were the furthest behind for us. The positioning was terrible. We had outerwear departments. So it had taken us the longest so finally, after six years, we will have 80 shop-in-shops in America, finally, with 30 of those constructed last year.

So we do believe that there's great long-term growth opportunity, once we get this real estate and we get those shops in there. But it is a very different business model from where we were before.

We're also very cognizant that many of our peers have gone concession, because it is tough to get that business model to work right, but we're on the early phase of that. And we've got the 80 stores opening. We'll watch the performance and keep adjusting the business model, as we need.

John Guy - *Berenberg Bank - Analyst*

John Guy, Berenberg. Just a couple of follow ups, please. Are you hearing anything around Chinese import duties; just wondering if you have an update as to what you may be hearing [privately] the relatively (inaudible) [of late], talking about potential strategies on pricing [shift] duties change?

And also, with regards to the mix that you've been talking around on leather goods, for example, taking over the Nova, are you looking to effectively de-emphasize that and try and enrichen the mix, if you like, within China? Thanks.

Angela Ahrendts - *Burberry Group plc - CEO*

So, on the import duties into China, I don't think we have any further update than what we've all read on the public market.

One of the misconceptions, I think, is the initial decreases would not be coming in soft goods; they were more on big, hard, luxury goods. So -- and from what we could see, our products wouldn't have been impacted that first go around.

From a non-apparel standpoint, the mics aren't great so I didn't totally get all of the question, something about upgrading --

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

Leather.

John Guy - *Berenberg Bank - Analyst*

Just with regards Nova, so within your range of Haymarket smoked check, etc., we know that, I think, bags are manufactured in China, one of the only collection of bags that are manufactured in China, is there a sense that you get the opportunity to effectively de-emphasize that particular line and look to effectively enrichen the mix?

Angela Ahrendts - *Burberry Group plc - CEO*

We couldn't have set you up better to ask that question. So you guys, you were just down in the showrooms and our Chief Merchandizing Officer's sitting here, and Nova is a great example of how the brand has evolved the last six years.

When we started, Nova was over one-third of our non-apparel business and, to your point, it was the biggest, most glaring check product and it was manufactured in China. We have over the last six years been pulling that down less and less, while Christopher's been adding tremendous innovation in the house check, in the Haymarket, which are absolutely much more elevated products.

You did not see any Nova in the showroom downstairs. It is the first season. So if you go into the store today there's literally five replenishment styles in Nova; that's it.

So understand as we're driving this revenue growth. We are turning off big, highly profitable businesses because they're not right for the brand; not where they're made, not what they look like. So there was no Nova in the showroom. And so the assortment absolutely has been elevated, in all respects. One of our most successful businesses right now is our large leather business.

John Guy - *Berenberg Bank - Analyst*

Thank you.

Angela Ahrendts - *Burberry Group plc - CEO*

Is that it? Terrific. Thank you so much, again, for attending. I hope all of the digital assets also gave you further insight into what we're doing, and we look forward to seeing you again in November.
