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

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Burberry second half trading update conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Stacey Cartwright, EVP, Chief Financial Officer. Please go ahead.

Stacey Cartwright - Burberry Group plc - EVP & CFO

Good morning, and welcome to Burberry's second half trading update call. With me this morning is Fay Dodds, our Investor Relations Director. As usual, I will provide a brief summary of our performance, and then we will both be happy to take your questions.

We are pleased with the 18% underlying revenue growth we delivered in the second half, with all channels, regions and products performing as expected.

Retail grew by 23%, and now represents 72% of total revenue. Of this growth, 12% came from comparable stores, with the balance from new space. The mix shift to London, which has our higher average unit retails, was a key driver of mainline growth.

By region, in the second half we had around 20% comp growth in Asia, led by Greater China; high single-digit comp growth in the Americas and Rest of World; and continued mid-single-digit growth in Europe, reflecting double-digit growth again in the mainline stores, especially the flagship markets in the UK and France, offset by the planned outlet rationalization. And this growth was broad based, with all four product categories delivering growth of over 20%.

In the fourth quarter, which is a relatively small quarter, trading patterns were a little less even than earlier in the year, but comp store sales growth was still 11%. This is despite our business in China starting to anniversary the benefits of improved retail disciplines that were implemented post the acquisition 18 months ago.



We continue to be very pleased with the performance in China, where comp growth continued at well above 20% for the second half. We now have 63 stores in the market, having opened 11 and closed five during the year.

Turning now to Wholesale, growth was 7% for the half, compared to the mid-single digits that we'd guided to. As we've discussed before, we continue to clean up the distribution of the brand in the US and Europe, and we also converted Saudi to Retail, which reduced reported growth by about 10 percentage points. Excluding these planned actions, we saw double-digit growth in key US department store doors, emerging markets and Asia travel retail.

And, finally, on Licensing, revenue in the half was up 5% underlying, consistent with full-year guidance, with growth from Burberry Body and watches only partially offset by the termination of Japanese non-apparel licenses.

Overall, we continue to focus on our five key strategies. To under leverage the franchise, we're serving our customers seamlessly through whichever channel they choose to shop.

We saw excellent growth in digital commerce in the second half, with the proportion of sales via the in-store iPad doubling since full rollout last October.

We're also delighted to have doubled the number of fans on Facebook in the last year to now over 12 million, as we continue to actively engage with consumers via social media.

Under non-apparel, which was 40% of sales in the second half, we saw further substantial growth from men's accessories, especially large leather goods and mufflers.

Under retail-led growth, we continue to evolve the store portfolio, with 11 mainline openings and six closures. We opened our first flagship stores in Paris and Taipei, which, at 8,000 square feet and 11,000 square feet respectively, give us the opportunity to showcase our brand, products and digital innovation in these key cities.

And in under-penetrated markets, we continue to expand Burberry's presence with new, directly operated stores in Brazil, Mexico and Qatar, and six new franchise stores from Thailand to Johannesburg to Croatia.

And finally, under operational excellence, we continue to finesse the balance between monthly flow of product and replenishment, which is still about half of Retail sales, while refining inventory management tools and processes.

Looking forward, today we're setting out our guidance for '12/'13, as follows.

Firstly, we're planning an increase of between 12% and 14% in average Retail selling space for the year. You should note that, as we continue to evolve our store portfolio, we're moving a higher proportion of our space away from small, highly productive stores, towards larger stores.

These larger stores will naturally have lower sales densities, but still generate good, financial returns. We will talk more about our store portfolio at our preliminary results presentation.

In terms of Wholesale revenue for the six months to September, we are expecting a mid-single-digit percentage increase at constant currency, impacted, again, by legacy clean up. US department stores, emerging markets and Asia Travel Retail are expected to continue to perform strongly, up double digit again.

Finally, Licensing. We're guiding to broadly unchanged revenue year on year, at both constant and reported FX. Global product licenses should generate double-digit growth, but, with only a marginal increase in Japanese apparel income this year, this growth will be offset by our decision to further terminate or reduce minimums for more Japanese non-apparel licenses. By the end of '12/'13, there will only be four of these licenses remaining, and that's down from 10 three years ago, and more than 15 originally.



So, in conclusion, we're pleased with our second-half performance, which was broadly in line with our expectations, and the guidance we've given for '12/'13, is consistent with our strategies of investing in flagship and emerging markets, while continuing to clean up legacy issues in all channels.

Looking forward, we do, of course, remain vigilant about the external environment, but continue to execute on our key initiatives to drive revenue growth, while modestly improving Retail, Wholesale operating margin each year.

So, with that, Fay and I would now be pleased to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. Today's question-and-answer session will be conducted electronically. (Operator Instructions). Louise Singlehurst, Morgan Stanley.

Louise Singlehurst - Morgan Stanley - Analyst

Quick questions from me, just on Asia, if I may. Firstly, can you talk about the like for like in China? You were saying that that was well over 20% in the second half, how that's progressed between the last two quarters of the year?

And also how new initiatives such as -- I know we've spoken a lot in the past about the new men's wear, the bespoke tailoring, how that's taking off for China.

And then secondly, can you just talk about Korea? It seems to be a tough market for luxury and general. Can you just talk about how you're doing, how you expect to be doing, versus peers and if that's different versus Q3 and Q4? Thank you.

Stacey Cartwright - Burberry Group plc - EVP & CFO

I'll take the first one and then let Fay pick up the second one.

So in terms of China like for likes, just to remind you, of course, we acquired the business back in September 2010, implemented many of, what you might call, self-help measures in terms of merchandising strategies, in just making sure that the stores were properly inventoried, proper sales and service training programs, etc. And we've seen consistent 30% like-for-like sales growth from the point of acquisition right the way through the third quarter.

Clearly now, we're anniversaring a number of those self-help measures. We've seen 20% growth in like for likes in the fourth quarter, which we still think is a pretty creditable performance when we benchmark against our peers.

In terms of new merchandising there, and clearly the men's wear business, yes, men's wear continues to perform extremely strongly in China. We're delighted with the performance. Probably not that surprising, given that China is obviously, as you know, led, to some degree, by the men's wear consumer.

Fay Dodds - Burberry Group plc - Director of IR

And in terms of Korea, we've called that out before as a soft market and it remains soft in the fourth quarter. I think it's sensible to think about that as a more mature market. Think of it more like Japan, than perhaps China. We know from our competitive analysis that we are performing at least in line with the pack in Korea. And the team are now working in that market to see how they can bring freshness and newness into that market.



Louise Singlehurst - Morgan Stanley - Analyst

Great. Thank you.

Operator

Warwick Okines, Deutsche Bank.

Warwick Okines - Deutsche Bank - Analyst

Just a couple of questions, please. Firstly in Q4, the regional trends are obviously quite hard to read because of the impact of Wholesale clean up and delivery timing. Can you just talk about the European market, the European consumer, and any changes you've seen from previous quarters, either North or South Europe? That's my first question.

Stacey Cartwright - Burberry Group plc - EVP & CFO

Okay, well I'll pick that one up and let Fay pick up the unknown second question. In terms of the easy one, regional trends in Europe actually, you're right. You can't just look at what's in the release because of, clearly, what's gone on in terms of timing of Wholesale clean up and shipments.

The underlying Retail performance for Europe was actually marginally stronger in the fourth quarter versus the third quarter. And I think we've previously called out the difference between North and South Europe, which is not a surprise to anybody in terms of what you've heard from some of our peers.

I would say that probably Italy and Spain were marginally better in the fourth quarter than they were in the third quarter. And that contributed to the overall marginal better performance for Europe quarter on quarter.

Fay Dodds - Burberry Group plc - Director of IR

It's also worth saying obviously when we look at Europe a lot of that performance is driven by those flagship markets. And that's why we've called out London. That's why we've called out Paris, in particular.

Stacey Cartwright - Burberry Group plc - EVP & CFO

And probably no change again to what we said previously around it's the global travelling luxury consumer that is dominating those big flagship markets. And that continues to be the case.

Warwick Okines - Deutsche Bank - Analyst

Thank you. And, Fay, you get the easy question, which is can you just talk about your China store opening, net store opening plans for the year ahead? How many do you expect to open?

And, slightly related, in London could you just talk about the timing of opening of Regent Street, and your refurb work at Knightsbridge? Are they on track? And when will they be delivered?

Fay Dodds - Burberry Group plc - Director of IR

Well, if you look at China this year we finished there with 63 stores; we opened 11 and closed six. And I think going forward that sort of net program is kind of what we'll look to do each year, subject, of course, to availability of sites. As you look at 2013 we've got some exciting flagship developments coming through in Shanghai. But that's not in the current financial year.

Stacey Cartwright - Burberry Group plc - EVP & CFO

And then I will pick up the next question, which was Regent Street. So Regent Street will open in the summer as planned. And then the Knightsbridge expansion will be later in the year.

Warwick Okines - Deutsche Bank - Analyst

That's great. Thank you very much.

Operator

John Guy, [Berenberg Bank].

John Guy - Berenberg Bank - Analyst

I've got a couple of questions. Just on the ASPs to start with. Looking at the 12% LFL growth in Retail for the second half of the year, how much of that was effectively driven by ASPs. Is it still around your pretty consistent 8% to 9% ASP growth?

And I guess also just looking forward into, and, I guess, within the backdrop of some of the catalysts that are coming up in terms of Jubilee, Olympics, etc., are there any specific events that you're going to put on? Or are you going to try and flex some of your pricing architecture to see how you can maximize or drive a slightly higher mix going forward?

I know that's something that some of the other luxury goods companies have tried in the past; notably Swatch in Beijing. So obviously appreciate it's a different category, but same sort of principle.

Stacey Cartwright - Burberry Group plc - EVP & CFO

Okay. So I think the first question was around the average selling prices in the second half. We've talked previously. We haven't quantified it, but we have said that the majority of this is around the mix shift and particularly as we move more of the portfolio, as we've talked before, Brit and then through up to London. So think of it as the vast majority is mix shift rather than anything else.

And then your question I think was around Jubilee, Olympics, etc. We -- less than 10% of our sales come out of the UK, so that's the first thing. Obviously we're very globally balanced, so focusing just on the UK isn't necessarily the right way to look at things.

There's nothing specific I would call out for the Jubilee, for the Olympics other than, obviously, anything that promotes Britishness we think is great for Burberry and a British authenticity and heritage on the global stage.



John Guy - Berenberg Bank - Analyst

Okay. No, I was just thinking along the lines -- appreciate the fact that you are obviously globally balanced, but if there's anything that you can push through which might be, I guess, highlighted in the London stores and then rolled out at a higher mix or at a slightly different price point, etc.

Stacey Cartwright - Burberry Group plc - EVP & CFO

No, I don't think there's anything I'd call out that's specific, no.

John Guy - Berenberg Bank - Analyst

No, okay. And just one final one on China. You were talking around anniversarying the pretty consistent 30% comps that you've been driving since September 2010. Are you seeing any other change in the Chinese consumer, I guess, on the back of, again, proposed or speculated moves in Chinese tax rates? I know they haven't happened yet on the luxury side, but is there anything specific to call out there, or is it really just a question of anniversarying?

Stacey Cartwright - Burberry Group plc - EVP & CFO

It's just a question of anniversarying. We still think 20% like-for-like sales performance is pretty creditable.

John Guy - Berenberg Bank - Analyst

And sustainable?

Stacey Cartwright - Burberry Group plc - EVP & CFO

Well, we never give guidance, John, but a nice try. (laughter)

John Guy - Berenberg Bank - Analyst

All right. Thanks very much.

Operator

Sophie Dargnies, HSBC.

Sophie Dargnies - HSBC - Analyst

I have two questions. On the guidance you gave for Wholesale, this is excluding, in fact, the rationalization. Can you give us what is the impact of the rationalization for H1?

And my second -- yes, go ahead.



Fay Dodds - Burberry Group plc - Director of IR

So for the first half, we have guided to mid-single-digit growth on an underlying basis. That is after further rationalization in Europe and the US. In the second half, the gap was about 10%. In the first half of this year, it'll be slightly less than that.

Sophie Dargnies - HSBC - Analyst

Okay. And in terms of the PBT for the year, do you think that you can achieve it? Do you think that you can have the consensus inside PBT? Do you think that you can achieve it? Or do you think that you can beat the expectation? What (laughter) -- can you guide us, please?

Stacey Cartwright - Burberry Group plc - EVP & CFO

I think the simple answer, Sophie, is we're not expecting anybody to change consensus off the back of today's release, whether it's for the year just gone or for the year to come.

Sophie Dargnies - HSBC - Analyst

Okay. Okay, thank you.

Operator

William Hutchings, Goldman Sachs.

William Hutchings - Goldman Sachs - Analyst

I just had two questions. One on just the specifics of some of these rationalization plans on Wholesale, as in are these different from what you've been carrying out in the current financial year and the timing of these things? You've obviously only guided for the first half, but are we expecting things to continue into the second half?

And then the second question is related to profitability. Clearly you would -- I would imagine you are doing these things to enhance the profitability of the business. Should we think of anything happening on the run rate of profitability as your Retail business is growing faster than your Wholesale or that your rationalization is going to continue into the first half?

Stacey Cartwright - Burberry Group plc - EVP & CFO

Okay, so I'll pick up on the rationalization point. This is entirely consistent with what we've spoken to you about before. So with the European specialty stores we've been raising the bar. A number of doors we talked previously about, the mom and pop stores, particularly across mainland Europe, not appropriate for the selling of Burberry product as we elevate and move the brand.

So there are a few million pounds every six months, think of it, as business that we want to walk away from because it's not appropriate for us and we keep raising the bar on that. So, if you like, that's an ongoing, but becoming less material as we go, but an ongoing feature.

As far as the US clean up is concerned we talked previously about not selling specifically into outerwear departments in US department stores, wanting to portray the brand properly in a proper full brand environment. So we've walked away from that and there's some other off-price activities that we were doing that we walked away from as well.



Think of that as being mainly impacting the second half of the year just gone and the first half of the year to come. So by the time that we get to the second half of '12/'13 that US legacy clean up will be largely completed.

Fay Dodds - Burberry Group plc - Director of IR

In terms of the profitability, actually some of the Wholesale business that we're walking away, especially like the European specialty account, is actually very, very profitable for us. So you lose the sales, you lose the gross margin and then there's very little OpEx saving coming through. So what we're doing is protecting and enhancing the brand, but actually at the cost of sales and profitability.

Stacey Cartwright - Burberry Group plc - EVP & CFO

And as we've talked about previously, Will, this is all part of our as you call it -- as we call it the pay-as-go approach. We're doing what's right in terms of the clean up of legacy issues, but on the basis that we're driving the appropriate top line growth and managing the overall margin expansion so that we get that modest increase in Retail, Wholesale net operating margin year after year.

William Hutchings - Goldman Sachs - Analyst

Perfect, thank you very much.

Operator

Fraser Ramzan, Nomura.

Fraser Ramzan - Nomura - Analyst

Actually most of my questions have been asked. Let me ask about CapEx. What did it look like for the year just closed? And how does that affect the shape and quantum for the year ahead, please?

Stacey Cartwright - Burberry Group plc - EVP & CFO

Okay. Well, I think you'll know that we'd raised the guidance for the year just gone to between GBP180 million and GBP200 million. That was on the basis that we've had a number of big flagship projects in there. Actually the timing of the spend on some of those big flagships has chipped into '12/'13, so we're going to be under that GBP180 million to GBP200 million and, obviously, we'll come out and tell you by how much in a month's time when we do the full trading release.

I think it's fair to assume that, although we haven't given the formal guidance yet for '12/'13, it will be not dissimilar to the guidance that we gave for '11/'12.

Fraser Ramzan - Nomura - Analyst

Okay. So some of it pushes into the year ahead, but actually it's still in the round within the broad ballpark of the GBP180 million to GBP200 million, yes?



Stacey Cartwright - Burberry Group plc - EVP & CFO

Correct.

Fraser Ramzan - Nomura - Analyst

Perfect. That's my question. Thank you.

Operator

Melanie Flouquet, JPMorgan.

Melanie Flouquet - JPMorgan - Analyst

I had actually four questions, if I may, sorry. The first one is on trading patterns. I think you said that trading patterns were less consistent in the quarter 4, and I'm not sure I understood this well, so if you can maybe share a bit more with us what is actually -- what did you mean by this, as your overall number seems to be still pretty good?

Number two, I was wondering whether now that you have such a big proportion of your sales in Retail, you can share with us your finding as to what percentage of your sales is touristic led. I know historically you said you didn't have the right CRM to do that, but given the Retail proportion of your business, I would have thought that you can have some visibility on this.

My third question is on inventory levels. Could you at least get us qualitative comments on where you think your inventories are heading and whether they are at the right level, whether there is any structural change linked to the shift or what replenishment we should be thinking about?

And my last question is on Saudi Arabia. How should we think about the impact that this has had and this will have between the Wholesale and Retail, because I'm not seeing it very clearly in the underlying just-reported number? Thank you.

Stacey Cartwright - Burberry Group plc - EVP & CFO

I'll take the first three, then, and let Fay pick up the Saudi question at the end.

In terms of the trading patterns for Q4, what we called out was that it was a little less even and it just seemed that there were a lot of, I don't want to call them one-off events or shifts in calendars, but whether you look at Easter, whether you look at Chinese New Year, Dubai Shopping Festival, International Women's Day, obviously the earthquake last year, which impacted travel flows across the Asia region, there was something almost every week that gave rise to pluses or minuses.

So it was just a little harder to keep tabs on during the quarter, but clearly, as you say, it all blended out at the end of day to the 11% comp, which we were very pleased with.

Melanie Flouquet - JPMorgan - Analyst

But in January, February, March, it wasn't the question of monthly volatility; it was really every week you just --



Stacey Cartwright - Burberry Group plc - EVP & CFO

It was different markets and different weeks and we were just trying to keep tabs on what was it that was driving a particular plus or minus in a particular week, rather than a consistent picture. So it was a little harder to dig underneath. So that's really what we were calling out.

In terms of the percentage of Retail sales and how much is tourist led and do we now have the CRM, well, I think we spoke to you previously and said we'd recruited a new Head of Consumer Insight and Analytics, very well regarded in the industry. He only joined us last September. We obviously need to put in place the right technology and support, so I think it's still too early, I'm afraid, for us to give you any tangible data at this point. We've got to build up the database.

We would not disagree with the qualitative comments that are made by our peers in terms of 40%, 50% of the sales in the big flagship markets being done to the traveling consumer, be it Chinese, Russian, Middle Eastern, Indian, etc. But there's nothing more concrete that we can give you. It's just too early at this stage, I'm afraid, Melanie.

Fay Dodds - Burberry Group plc - Director of IR

That's obviously why we're bringing the investment into the flagship markets, the regions, the small flagship we just opened in Paris, what we're doing in Hong Kong, what we'll be doing in Shanghai in 2013.

Stacey Cartwright - Burberry Group plc - EVP & CFO

And then in terms of inventory levels, we talked to you previously about, obviously, yes, we have been increasing the amount of inventory that we hold for replenishment, making sure that we don't walk sales.

We've also been more efficient within the supply chain, making sure that we're shipping more; like a third of our product by sea rather than that third going by air. Obviously there's a big chunk that goes by road, but don't assume that the balance is all by air. And, clearly, that means that, essentially, as we take ownership when it leaves the factory door, we're actually owning the product whilst it's on the sea.

But, nonetheless, I think you can expect inventory levels at the end of the year, year on year to have increased broadly in line with Retail sales. So, hopefully, not a surprise to anybody. And I think in terms of the quality of the inventory I think we're very pleased with the aging and the quality that we have on our books.

Fay Dodds - Burberry Group plc - Director of IR

And then, finally, on Saudi, you remember it was only five stores, so the impact on Wholesale was pretty minimal. And in terms of Retail it gave us an uplift in the second half of less than 1%.

Melanie Flouquet - JPMorgan - Analyst

Okay. Thank you very much.

Operator

Rogerio Fujimori, Credit Suisse.



Rogério Fujimori - *Credit Suisse - Analyst*

Just two quick questions, please. Could you talk a little bit about your performance in shoe, small leather goods and children's wear, please?

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

Okay. I think we'll probably talk more about products when we do the preliminary announcement, but directionally you'll see that non-apparel -- we'll pick up shoes and SLGs first of all, non-apparel remains about 40% of the overall mix, which is in line with our overall aspirations. We like the fact that we have a very balanced product portfolio.

Small leather goods and shoes are performing nicely. I wouldn't say that they're outperforming. You've seen we've called out traditionally large leather goods and, obviously, men's non-apparel that are the star performers in the half just gone.

And then in terms of children's wear, again it's nice growth but nothing to call out in terms of outperformance versus the other product areas.

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

The balance point is really key, because if you look in Retail we had over 20% growth in men's, women's, non-apparel and children's wear; each of those categories.

Rogério Fujimori - *Credit Suisse - Analyst*

Thank you very much. And just a broader question about China. I was curious to hear your views whether the recent political scandal with Bo Xilai -- do you see this having any impact on luxury industry sales in coming months? Or really not an issue for you?

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

I don't know that we're qualified to give a view on that to be honest, Rogério. We just -- we're monitoring daily, weekly sales and continuing to view the business that way.

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

The team are focused on continuing to improve the retail disciplines, continuing to evolve that store portfolio and then, clearly, we're working hard elsewhere around the world to serve the Chinese traveling luxury customer when they're in London or Paris or, increasingly, New York.

Rogério Fujimori - *Credit Suisse - Analyst*

But you don't have kind of a rough number of how much of your business relates to gifts given to government officials in China?

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

No.

Rogério Fujimori - *Credit Suisse - Analyst*

Okay, then. Thank you very much.

Stacey Cartwright - Burberry Group plc - EVP & CFO

(laughter (inaudible) to say on that, though.

Rogério Fujimori - Credit Suisse - Analyst

Thank you.

Operator

Simon Irwin, Liberum.

Simon Irwin - Liberum Capital - Analyst

Two quick ones for you. Could you just talk a little bit about some of the mix effects of these store openings, particularly in terms of the timing through the year, because it feels as though you've got quite a lot coming on early, but that may not be the case?

And also the geographical impact of the store openings as well, because, clearly, you get much higher sales uplift presumably on new space that you add in Asian markets rather than in Europe?

Stacey Cartwright - Burberry Group plc - EVP & CFO

Okay. There's lots of moving parts, Simon. I don't know that there's an easy way to be able to dissect all of this.

I mean the big store openings that we have coming up this year, first of all we've just opened -- we have the big store opening event next week, but we've just opened our flagship in Taipei, which will obviously now be in for the whole of -- virtually the whole of '12/'13.

We have Regent Street opening in the summer. We've got Chicago opening towards the back end of the calendar year. So, if you like, we've got reasonable sized flagships opening in all the markets, rather than being distorted to one region or another.

We've got a number of China openings coming next year. We have a new flagship in Hong Kong, but coming very late on in the year. I don't know that there's anything we can really help you with in terms of the mix shift, other than we continue to grow across all the geographies.

I don't know if, Fay, is there anything --?

Fay Dodds - Burberry Group plc - Director of IR

No, not really. If you look at the timing, it's ever so marginally weighted towards the second half, as we see it today. The base is a bit biased towards Asia and China where the store evolution goes on. We're planning some good openings in Latin America, but it's back to this point about balance.

Simon Irwin - Liberum Capital - Analyst

Right. And in terms of chunky cost items, either related to this or to other things, were there any kind of particular moving parts? Because I know you've alerted us to (inaudible) to the -- I think it was the GBP10 million per annum flagship [Boston]. Are they kind of rolling through this year and then pretty much fall out?



Stacey Cartwright - Burberry Group plc - EVP & CFO

Yes. The only thing I would flag in terms of --

Fay Dodds - Burberry Group plc - Director of IR

Sales update.

Stacey Cartwright - Burberry Group plc - EVP & CFO

Yes. You have got -- within those store openings, you've got a couple of big opening events. Obviously the one in Taipei next week; you'll have Regent Street before the end of the half year. So that puts a small amount of pressure on the first half relative to the second half in terms of costs.

But as more of a Retail-led business now, you are finding that sales are skewing more to the second half than they are to the first half. So that needs to be factored into your modeling as well.

Simon Irwin - Liberum Capital - Analyst

Okay. And is there anything you can tell us about any of these Japanese trials? There's clearly a lot of them going on, as the licenses roll off.

Stacey Cartwright - Burberry Group plc - EVP & CFO

We're very pleased with how our non-apparel business is going in Japan, in terms of the stores and the shop-in-shops that we're running. They're now running very strong double digit like-for-like sales growth.

Fay Dodds - Burberry Group plc - Director of IR

I wouldn't get too excited, though, because it's only --

Stacey Cartwright - Burberry Group plc - EVP & CFO

Off a small base.

Fay Dodds - Burberry Group plc - Director of IR

Two mainline stores and 13 concessions --

Stacey Cartwright - Burberry Group plc - EVP & CFO

Yes, but performing very, very strongly.

Fay Dodds - Burberry Group plc - Director of IR

And then the children's wear will become the global collection from this autumn and winter. So that's another little trial for us.



Simon Irwin - *Liberum Capital - Analyst*

Okay. And just a final one. In terms of the non-Japanese licenses, how would you expect those typically to evolve in a year after a big fragrance launch? Are there any big initiatives coming through this year?

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

There's always the sort of the merchandising and new variants of the products that get launched in the year after the big fragrance launch, just to keep it fresh and front of mind. So looking for good, strong growth out of all of our global product licenses in the year to come.

Simon Irwin - *Liberum Capital - Analyst*

And anything you can tell us about watches?

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

Just that we're very pleased with the way that that's evolved and, again, there's some nice new product coming down the track on that.

Simon Irwin - *Liberum Capital - Analyst*

Great. Okay. Thank you very much.

Operator

(Operator Instructions). Thomas Chauvet, Citigroup.

Thomas Chauvet - *Citigroup - Analyst*

How much is Korea now as a percentage of Retail and of the total Burberry business, please?

And when you talk about maturity issues similar to Japan, does that mean you expect this market basically to shrink for a number of years?

And what was the growth of Korea in FY '12, please?

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

I'm going to have to come back to you on that, but Korea is now the third largest market in Asia Pacific behind China and Hong Kong, but I can't, off the top of my head, remember what percentage of sales it will -- it will be probably single digit.

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

Yes it will be.



Thomas Chauvet - Citigroup - Analyst

Do you expect this market to shrink from here?

Stacey Cartwright - Burberry Group plc - EVP & CFO

I think we've got the Retail -- sorry the regional team for Asia very focused on ensuring that we're optimizing and maximizing in that marketplace.

So I think it's too early to tell, at the moment, what else we can bring to bear that will continue to grow that market for Burberry.

Fay Dodds - Burberry Group plc - Director of IR

But the thing is, it is worth reiterating the point that we, compared to our peers, we think we're at least in line with the pack. So it's not a Burberry-specific issue; we think it's a market demand issue.

Thomas Chauvet - Citigroup - Analyst

Okay. Thank you very much.

Operator

John Guy, Berenberg Bank.

John Guy - Berenberg Bank - Analyst

I've just got a follow up. Just on the fragrances, I think you've got until July to take a view on whether or not you're going to buy back the license from Interparfum. I appreciate we're not in July yet, but has there been any -- is there any update that you can give today as to how your thoughts are progressing?

Stacey Cartwright - Burberry Group plc - EVP & CFO

No, I think, John, discussions continue with Interparfum and, you're right; should we choose to exercise the option, that would be July. But, for now, discussions are continuing about whether there's a more optimum operating model.

John Guy - Berenberg Bank - Analyst

Okay, great. Thanks very much.

Operator

As there are no further questions in the queue, I would now like to turn the call back over to your host for any additional or closing remarks.

Stacey Cartwright - Burberry Group plc - EVP & CFO

Well, thank you very much, everybody, for your attention. In summary, we're pleased with our finish to the year. Looking forward, we do remain vigilant about the external environment, but we are confident in our strategies to drive sustainable, profitable growth.

So we look forward to speaking to you next on May 23, which is when we'll be announcing our full-year results. Thanks very much.

Operator

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

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