THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BRBY.L - Burberry Group plc Q1 2013/2014 Interim Management Statement & Trading Update Conference Call

EVENT DATE/TIME: JULY 10, 2013 / 8:00AM GMT

CORPORATE PARTICIPANTS

Carol Fairweather *Burberry Group plc - CFO Designate*

Fay Dodds *Burberry Group Plc - Director of IR*

CONFERENCE CALL PARTICIPANTS

Thomas Chauvet *Citigroup - Analyst*

John Guy *Berenberg - Analyst*

Antoine Belge *HSBC - Analyst*

Luca Solca *Exane BNP Paribas - Analyst*

Vic Mohan *ISI Group - Analyst*

Rogerio Fujimori *Credit Suisse - Analyst*

Louise Singlehurst *Morgan Stanley - Analyst*

Julian Easthope *Barclays - Analyst*

Allegra Perry *Cantor Fitzgerald - Analyst*

Fraser Ramzan *Nomura - Analyst*

Mario Ortelli *Sanford C. Bernstein - Analyst*

PRESENTATION

Operator

Good day and welcome to the first quarter trading update conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Carol Fairweather. Please go ahead.

Carol Fairweather *- Burberry Group plc - CFO Designate*

Good morning and welcome to Burberry's first quarter trading update conference call. With me this morning is Fay Dodds, our Investor Relations Director. I will make a few brief comments on retail trading in the period then we will be happy to take your questions.

Before I start, please note that there are two changes to our disclosure. Firstly, as we told you April, in the first and third quarter updates in July and January each year we will now only be reporting Retail revenue. We will continue to give revenue by channel, region and product in the first and second half trading updates in October and April, when the information is more meaningful.

Second, we have recently integrated the management of Europe and Rest of World and from now on will, therefore, report on a combined Europe, Middle East, India and Africa, or EMEIA as we call it.

Turning to the first quarter, retail revenue increased by 21% at reported FX, or 18% at constant exchange rates. We were pleased with this performance in what remains an uneven trading environment. Comparable store sales growth was 13%, which was broadly in line with our internal expectations.

Part of this performance was season specific. With Spring/Summer launching in November, we knew we were seeing a strong consumer response to fashion as we pulled our budget together.

We also benefited from record reach and engagement from the advertising campaign, and from the two strong runway shows; the women's show in February and men's in June, which we brought home to London. In both shows, we continued our drive for innovation around personalization and the use of social media platforms.

And part of this performance was driven by our well-documented key initiatives. From enhanced monthly floor sets, as we drive cross-functional collaboration, to our focus on conversion, both offline and online, as we begin to benefit from our investment in footfall counters to obtain the data, the customer insight team to provide the analysis and our regions to drive the improvement.

Product strategies were consistent with previous periods, with core outerwear and large leather goods together accounting for over half the growth in main line; a strong performance from men's accessories, up over 25% in the quarter, and representing nearly 20% of mainline accessory sales; and an increase in the penetration of Prorsum and London, particularly in men's, helped by outerwear and tailoring.

By region, there was double-digit comp growth in Asia Pacific and Americas and high single-digit growth in the newly defined EMEIA.

We are pleased with our performance in China, with double-digit comps in the quarter and where we also continued to evolve the store portfolio, with four stores closed and four opened, including two openings in the flagship market of Shanghai.

Online performed strongly, as the regions took ownership of digital commerce in their markets to enable a more seamless offer to consumers who are increasingly channel agnostic. Sales through iPads in store are increasing, and we are trialing collect in store in selected flagship markets.

Turning now to guidance, there is no change to report from what we said at the time of the preliminary announcement in May, with new space expecting to contribute low to mid single-digit percentage growth to retail revenue in the year; with wholesale, excluding beauty, expected to be down around 10% at constant currency in the first half; no change to the beauty revenue and profit guidance for 2013/'14, being GBP140 million worth of revenue and GBP25 million worth of profit, respectively; and for licensing, excluding fragrance and beauty, slightly positive growth at constant exchange rates.

With retail comp growth in the first quarter broadly in line with our expectations, we are also still expecting first-half profit to be below the level of the prior year. As we have previously said, this reflects the weighting of the business to the second half; the fact that first-half wholesale is expected to be down around 10%; the dilutive impact of beauty as we move from licensed to direct operation; and the GBP15 million benefit in the first half last year from a lower performance-related pay charge.

For the full year, we continue to plan for modest increase in the retail/wholesale operating margin from the 17.1% normalized margin we achieved in FY '13. We will continue to use operational leverage from revenue growth to modestly improve the margin, while investing for the future growth and cleaning up legacy issues.

So in summary, as Angela said in her quote this morning, we are pleased with our first quarter retail performance, which was in line with our expectations, reflecting a stand-out Spring/Summer season.

Looking forward, the macro outlook remains uncertain but our strategies and investment plans remain unchanged as we look to deliver profitable, high-growth opportunities by channel, region and product.

So, with that, we would now be pleased to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Thomas Chauvet, Citigroup.

Thomas Chauvet - *Citigroup - Analyst*

I have a few questions. The first one, you're talking about a change in consumer behavior with soft footfall offline but strong growth online. Can you perhaps elaborate on that and what was the growth in (inaudible) and e-commerce revenue this quarter?

Secondly, you said that the 13% like for like was in line with your expectation. So it feels quite branded collection specific perhaps. How do you think this compares to the market overall? And, particularly in China, what were your LFL? How do you see the market, the overall market, improving?

And, finally, just a couple of housekeeping questions. The first one, in the newly reported Middle East, Africa, Europe region, how much of European sales is that? Is that about 15%? And what was the split between that sub-region and Western European LFL and comment perhaps on tourist flows?

And what was the average retail space growth in the period? Can you comment on that? Thank you.

Carol Fairweather - *Burberry Group plc - CFO Designate*

So first your question about changing consumer behavior. As we say, we like to focus on controlling what we can control. So in terms of as consumers increasingly are becoming, we call it, channel agnostic about whether they're shopping online or offline, we just want to make sure that we can respond in the right way.

So we've given the responsibility for digital execution back to the regions and we're making sure that, in terms of as the consumer comes into our store or shops online at home, the brand experience is consistent however they want to shop.

So we're calling out that whilst footfall has continued to decline, albeit at a slower rate in our stores, traffic online is up and conversion is up both in stores and online.

We don't actually split out for you the digital number. We're very focused -- internally now we're just thinking of retail as one channel, whether it's online or offline, because of this agnostic behavior about where consumers like to shop. So that's in terms of digital and consumer behavior.

The 13% comp we talked about for the quarter, you were saying was that just brand driven. We're calling out it was both. It was a very strong performance from our Spring/Summer campaign, both around product, around marketing and around the fact that we had two great shows.

But important also that it was also a continuing of our own actions around improving and driving our retail disciplines, increasing conversion in store, as I said, empowering the regions to drive the digital business and continuing to benefit from the early data we're getting on a customer insight.

And then I think you asked also about China. China we are calling out still a double-digit comp in China. So continue to be pleased with our performance in China. We're again very focused on our own actions there, be it the evolution of the store portfolio, really making sure we can service the Chinese consumer and again what we're doing in digital innovation in that space.

And then in terms of EMEIA I'll hand over to Fay who's just checking for us.

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

If you look at last year, the full year, Europe was about 30% of our sales and Rest of World was about 6% of our sales. And what we've done is push those two businesses together, so it's all now being managed by one central team. And I don't think there's anything particular to call out in terms of a change in tourist patterns in any of those markets.

Thomas Chauvet - *Citigroup - Analyst*

Fay, in Q4 I remember Europe whose like for like were slightly better than Q3, so probably very low single digit. What was Western Europe, so in the former disclosure format in Q1?

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

It's along with all of our other regions. It saw some good growth in the first quarter. You couldn't get that region to high single-digit growth if you weren't seeing significant growth in Europe because the Rest of World part of it is really too small to move the needle.

And I think your last question was about what space growth have we added in the first quarter. As you know, we're no longer disclosing that. What we have said is that the contribution from new space in the first quarter is about 5% and for the full year we expect it to be low to mid single-digits. So the space growth is slightly first-half weighted.

Thomas Chauvet - *Citigroup - Analyst*

Okay, thank you.

Operator

John Guy, Berenberg.

John Guy - *Berenberg - Analyst*

Just a first question on China. I know that last year you made the -- or you split out the performance between the more newer stores in China relative to the ex-franchise stores. And I'm just wondering out of the -- I think last year out of the 50 stores that you acquired back in September 2010 you had 48 still in the ex-franchise model.

Could you just give us an indication as to how many stores you have running in the ex-franchise model today and what the difference in performance has been between the newer stores versus those ex-franchise stores, please? That's my first question.

Carol Fairweather - *Burberry Group plc - CFO Designate*

So in terms of -- we've closed 18 of those 50 stores we acquired back in 2010, John. So in terms of how they're performing, the new stores continue to outperform the stores we brought back as part of bringing back that franchise.

John Guy - *Berenberg - Analyst*

Okay, thanks. With regards to the -- your comments around no change with regards to guidance and when you're looking at strong drivers of growth in outerwear and also large leather goods and also seeing a higher sales penetration coming from Prorsum, they're both positive in terms of margin and also in terms of sales density's uplift.

So does that therefore imply that we're looking at a pretty hefty uplift in terms of the OpEx as a percentage of sales? Appreciate that there's some bonus accrual that needs to come back in over the course of the year, certainly first-half weighted, but does this mean that we're going to see further upside or, I suppose, downside if you're looking at that number going up as you continue to invest?

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of the increasing sales penetration of London and Prorsum and the continued growth in outerwear and large leather, no significant impact on gross margin to call out there, John.

So nothing to note in terms of anything significant in terms of the way we look at that internally. And, therefore, we're continuing to focus on making sure that we continue to modestly move up that retail/wholesale margin in the full year.

John Guy - *Berenberg - Analyst*

Okay. So when we're looking at the average selling price or looking at volume value growth within the LFL, could you talk about the volume value splits, please, within the 13%?

Carol Fairweather - *Burberry Group plc - CFO Designate*

The average unit retail has gone up. That is largely driven by the elevation both in terms of more London and Prorsum, but also the elevation in terms of the product itself. So making sure we're still giving that right customer value proposition to our customers but as we continue to elevate the product, be it through additional trims and finishes, then that has also moved the AURR.

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

But remember, as we sell more Prorsum, or as we sell more fashion product, it isn't higher gross margin; it's lower gross margin because we're doing lower runs. There's more engineering going into the product.

John Guy - *Berenberg - Analyst*

And it's a higher cash margin, though?

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

It's a more pound margin, yes.

John Guy - *Berenberg - Analyst*

Okay. And then I guess, just with regards to Korea, I know that you talked about Korea stabilizing and improving, could you talk about the sales growth in Korea?

And what does Korea now represent as a percentage of sales? You've had pretty much 18 months to 24 months of tough trading in that market. So maybe just talk a little bit about Korea, please.

Carol Fairweather - *Burberry Group plc - CFO Designate*

So yes, we are seeing a slight uptick in Korea, and have had favorable like-for-like sales in this quarter, which we're pleased with. We've got a new management team out there and Korea is beginning to turn around. So we're pleased with our performance.

In terms of absolute percentage --

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

It's significantly less than 10% of our Group retail/wholesale revenue.

John Guy - *Berenberg - Analyst*

Okay. So about 6% to 7% then?

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

Something like that, yes. I just haven't got my calculator, John.

John Guy - *Berenberg - Analyst*

No, no. Okay, that's a first. Thanks very much indeed.

Operator

Antoine Belge, HSBC.

Antoine Belge - *HSBC - Analyst*

Is it possible for you to comment on the other Asian markets that we haven't touched yet? So maybe, in particular, Hong Kong and Taiwan.

And then my second question relates to Japan. A lot of your peers have mentioned that Japan was the positive surprise for them. In terms of what you are managing directly in Japan, are you seeing also a positive trend there?

And, finally, can you comment maybe on the PBT consensus range?

And also maybe one question I have regarding your guidelines is, how do you factor in the weaker pound in that guidance, given that it should be a benefit for Burberry?

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of the other Asian markets, Hong Kong again we were delighted. We had strong double-digit growth in Hong Kong. Taiwan, Fay?

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

Taiwan again, it's a very small market for us, but we saw good double-digit growth there, obviously helped by the opening in Taipei which is, what, a year ago now.

Carol Fairweather - *Burberry Group plc - CFO Designate*

We've just anniversaried, yes. And then in terms of Japan, our owned retail business there is still very tiny, but, again, making nice progress. So that's in terms of color around Asia.

I think you then asked about the impact of the weaker pound. Clearly there will be -- exchange rates, as you know, has been moving quite a lot over the last few weeks. Looking at the numbers today, it would add a few pounds millions to PBT. But, as we know, the dollar is up and down quite a lot at the moment. So probably still a little early in the year to be absolutely fully factoring that into our forecast.

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

And I think you also asked about how we saw the range. For this year we saw adjusted PBT going -- so this morning was about GBP464 million. The range is about GBP437 million to GBP495 million.

I think it's too early to say what's going to happen today. But I would expect perhaps people to look at the way that they're building models without significantly changing those numbers.

Antoine Belge - *HSBC - Analyst*

Okay. And maybe just a follow up regarding your markdown policy for spring and summer. Was it different from previous seasons?

Carol Fairweather - *Burberry Group plc - CFO Designate*

No. Broadly in terms of length of sale and depth of mark down, no significant change. We did synchronize online this year as we gave it back to the market. So we synchronized the online markdown with the store markdown on a country-by-country basis.

Antoine Belge - *HSBC - Analyst*

And given that your -- I think you mentioned that the reason why -- one of the reasons why wholesale would be negative is the cautious attitude from retailers. What was their own attitude towards markdown? Do you feel that they have a lot of inventories? How do they feel about the next collections?

Carol Fairweather - *Burberry Group plc - CFO Designate*

We'll come out in October and talk about guidance for the second half, because people are obviously buying -- we'll come back to you and confirm that then. But in terms of markdown, we've not heard anything significant being called out, particularly from the US in terms of the department stores.

Antoine Belge - *HSBC - Analyst*

Thank you.

Operator

Luca Solca, Exane BNP Paribas.

Luca Solca - *Exane BNP Paribas - Analyst*

I would like to ask a question about product categories and if you see any -- or if you could give us a bit more color, for example, on leather, and if you see any difference in product category sales mix across geographies that you would like to address.

Also on fragrances and cosmetics, I was wondering how the development of your organization and set up is moving along. And if you could give us a little update on that.

You're pointing to macro uncertainty, thirdly. I would like to get your view on where you see the most important risks to the business in terms of regions, or in terms of any other threat that you would anticipate from the macro.

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of product categories, I think we were pleased that again over half the mainline growth came from core outerwear and large leather. We called out again our men's performance in terms of a category where we have been underpenetrated and we saw nice growth again in this quarter, and particularly in men's accessories which we called out grew over 25% and now represents about 20% of accessories.

Nothing specific, I don't think, to call out by geography, other than in China, again, men's is a very important part of our business there and has helped drive some of the growth there, I would suggest.

In terms of fragrance and cosmetics, following -- we gave the update at the prelims, but the organization is now in place and we're beginning to manufacture, we're beginning to ship. Still early days, but so far, so good. And we are planning for our big first fragrance launch since we brought back the business ourself in the autumn.

And then in terms of macro uncertainty, nothing, I don't think, to call out by specific region. We're mindful of the macro uncertainty, but remain very focused on controlling what we can control in terms of really driving conversion, having the right product in the stores, the right customer service, this right proposition between online and offline, and just remaining very focused on what we can control.

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

And I think, even during the first half, where we had such a strong Spring/Summer collection, trading patterns were still uneven, and they were uneven globally. So we just don't want everyone to think that we've been trading seamlessly and very smoothly.

Carol Fairweather - *Burberry Group plc - CFO Designate*

And it was a small quarter.

Luca Solca - *Exane BNP Paribas - Analyst*

Fair enough. Thank you very much.

Operator

(Operator Instructions). Omar Saad, ISI Group.

Vic Mohan - *ISI Group - Analyst*

This is Vic Mohan in for Omar. Could you talk a little bit about the continuing strength of Prorsum and London? Do you think this is the same Burberry customer trading up, or a new customer entering the brand? Thank you.

Carol Fairweather - *Burberry Group plc - CFO Designate*

We're very pleased that the penetration continues to increase in Prorsum and London. Remember people actually shop across the brand, so they will shop Prorsum -- they may buy a Prorsum jacket and a Brit pair of jeans. So I don't think our data, at the moment, allows us specific visibility about that.

But I think it's around making sure that the consumer is actually selecting to shop up the pyramid a little bit. And we're very happy with the response to both Prorsum and London.

Vic Mohan - *ISI Group - Analyst*

Thanks. And then could you also talk a bit about the trends in the local European customers? Has there been any change in trend over the last few months, especially in Southern Europe?

Carol Fairweather - *Burberry Group plc - CFO Designate*

I think Southern Europe does remain weak. I don't think we've seen anything specific that we'd be calling out today. Fay, anything?

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

No. Don't forget that London is about 40% of our European sales, and it's quite difficult for us to read London at the moment, because, again, less than half of our space is in comp.

Vic Mohan - *ISI Group - Analyst*

Thanks.

Operator

Rogerio Fujimori, Credit Suisse.

Rogerio Fujimori - *Credit Suisse - Analyst*

I just wonder if you could give us, or talk a little bit more about your like-for-like performance in Americas. Particularly you reported double-digit comps, but I was just wondering how the contribution from the US and the other markets in the region. Thank you.

Carol Fairweather - *Burberry Group plc - CFO Designate*

Yes, we did report double-digit comps across the Americas. I think one of the things again we're talking to there is about having given back the responsibility for executing digital to the regions. I think they have done a great job in terms of driving revenues and conversion, both online and offline.

And I think that has been a real success in terms of the amount of business done on iPad sales in store, for example, has been very successful in this quarter.

In terms of elsewhere in the region, nothing specific, I don't think, to call out.

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

You know the US is still 90% of our Americas region. We're excited about what's going on in Canada. We've opened another store in Mexico. And Brazil continues to be a big growth opportunity for us, either within the country, where we've now got seven stores, or as we start to serve that Brazilian consumer in New York, in Miami and in Paris, as they travel.

Rogerio Fujimori - *Credit Suisse - Analyst*

Thanks very much.

Operator

Louise Singlehurst, Morgan Stanley.

Louise Singlehurst - *Morgan Stanley - Analyst*

A couple of questions from me, just to follow up. In terms of the consumer insights and all the initiatives that's been going on there, can you just remind us, is that now rolled out globally for you? So obviously on all the iPad technology, are you able to gather all the information pretty regularly on a global basis?

And then just a follow up on inventory. I know there's no specific comment today, but given the fact there seems to be a lack of product in the sales this year, I presume inventory's pretty tight. Thank you.

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of consumer insight, as we say, it's still relatively early days. We're pleased with the data we're now collecting, but we need to have the comparable data to really drive that insight. We do have footfall counters now in most of our stores, but we haven't anniversaried that yet.

If we're talking about iPads in stores, we've got iPads in stores in terms of being able to service the customer. In terms of the clienteling app that we talked about at the prelims, that isn't fully rolled out yet, but clearly will be an opportunity for us as we continue to do so.

In terms of inventory, we talked in May about our inventory never having been in better shape, and I think that focus absolutely continues.

Louise Singlehurst - *Morgan Stanley - Analyst*

Super, thank you.

Operator

Julian Easthope, Barclays.

Julian Easthope - *Barclays - Analyst*

Just a couple of questions from me. Just following up on your comments about uneven, given that like for likes were up 13% I just wonder how uneven it could possibly have been. And in terms of that, as to exit rate as you come into Q2.

And the second question relates to last year's Q2, effectively. When you look back at the seasonality last year, Q2 was clearly by far the most negative quarter. When you look back at that, do you think that was an aberration or do you think that was just a realignment of more normal retail patterns?

So when we're looking at our Q2 estimates, should we not -- should we expect an acceleration from Q1 in terms of the numbers? Thanks.

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of uneven through Q1, we do continue to see different trends week to week by market. Overall, 13% was a nice comp to post for the quarter. But it is still -- there are different -- week to week, it is still a little bit uncertain out there.

In terms of the exit rate and looking into Q2, clearly, you wouldn't expect me to comment on current trading or guide in terms of comps, but we -- it's just about remaining very focused and, we keep saying, on what we can control, notwithstanding what's happening in the macro, again to stress both online and offline.

In terms of last year, Fay?

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

I think when we look back on the second quarter, what we called out is two specific markets that really slowed. One was the UK; we think that was an Olympics effect. And then the other market that slowed was China, which I think we called out as being driven by a poor consumer sentiment in the run up to the change of political leadership there.

But, as you know, China then subsequently recovered for us in Q3/Q4 and that trend continued into the first quarter. The UK, as I said, we're still finding quite difficult to read because we haven't got those big stores, the Regent Street, the Knightsbridge, back into comps yet.

Julian Easthope - *Barclays - Analyst*

Brilliant. Thanks very much.

Operator

John Guy, Berenberg.

John Guy - *Berenberg - Analyst*

A follow-up question from me, just with regards to going back to last year in the first quarter when you had roughly just under or around a 2% impact on the de-emphasis of opening price points and the rationalization of Nova, also cutting back on some legacy stores. I appreciate that's more from the wholesale perspective, but can we -- can you talk about where you are in terms of product line de-emphasis? Are we effectively now done? Is there still more work to go?

With regards to the wholesale side, where are we with regards to the rationalization program there? Thanks.

Carol Fairweather - *Burberry Group plc - CFO Designate*

I think in terms of product rationalization, I think there's nothing that I'm aware of at the moment that we need to call out specifically.

In terms of legacy, particularly in terms of Europe -- I think in the US, we're broadly done in terms of the work we've done in terms of taking ourselves out of the coat departments and whatever.

But in terms of Europe, I think two things there really. One, some of our customers are self-selecting out as we're becoming more rigorous around credit and they're finding trading more difficult. And we probably expect a few pounds millions a year to still come out of our Europe wholesale business as we continue to elevate the brand, but looking to replace that by stronger growth at the top end in the wholesale model in Europe.

John Guy - *Berenberg - Analyst*

Okay, great. And then just going back to Prorsum, it seemed to me when we were traveling around Asia that the sales penetration rates in some of the new stores in Shanghai and also I think the Kobe store in Japan, Prorsum, as a percentage of sales, is anywhere between 20% and 30%. And that compares to, I think, last year's range of 5% to 10%.

So where do you see Prorsum, as a percentage of sales, in the newer stores in Asia? Is it around those levels? And where do you think Prorsum can go?

Carol Fairweather - *Burberry Group plc - CFO Designate*

I think in terms of in Asia, Prorsum globally is still around 5%, which I think we're happy with the shape of that. It is absolutely the DNA of the brand and what causes a lot of the excitement around the brand.

Calling out specific stores in Asia, we will, in some of our flagship stores, have more penetration or in particular markets, where we merchandise according to consumer preference. But I don't see Prorsum nudging up much around that -- much beyond that 5% globally going forward.

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

Remember, a lot of our stores don't have Prorsum.

Carol Fairweather - *Burberry Group plc - CFO Designate*

Yes.

John Guy - *Berenberg - Analyst*

Yes, but I'm just thinking of the very high rates that you're starting to generate in Prorsum in some of these key markets. It's only going to be just above 5% on a global basis.

Carol Fairweather - *Burberry Group plc - CFO Designate*

We'll continue to see how it continues to evolve, but our plans don't suggest anything different at the moment.

John Guy - *Berenberg - Analyst*

Okay, great. Thanks very much indeed.

Operator

Allegra Perry, Cantor Fitzgerald.

Allegra Perry - *Cantor Fitzgerald - Analyst*

I have two questions from me, please. Firstly, you mentioned enhanced monthly floor sets. I was wondering if you could give us a little bit more detail around what's changed. Have there been any changes to supply chain, assortment, marketing or merchandising that have driven that?

And then secondly, I was wondering if you could quantify or give us a broad sense for how much the Chinese account for sales outside of China. Thank you.

Carol Fairweather - *Burberry Group plc - CFO Designate*

In terms of enhanced monthly floor sets, we've been talking for some time about becoming much more of a dynamic retailer and it's about having newness in our stores, online every month. I think we've just perfected that now.

I think we've been moving towards that for the last two years and I think it has now come together so that cross regionally, cross functionally, month after month now, we are getting the new fashion element of the monthly floor set into our stores.

The windows are changing. The landing page on the world site, the store is changing and I think we've just become a lot better at actually executing that on a rather consistent basis.

In terms of the Chinese, in the end of March, which was really the last time we're looking at the data like that, we're talking about something like 14% of our retail/wholesale revenue came from the Chinese in China. And then [if we] looked at in terms of Greater China and elsewhere, it probably nudged up to something about 20%, 25%.

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

Yes, I think if you look at the percentage of spend globally by Chinese consumers, we estimate it's about 30%. And, as Carol said, that includes stuff in China, then the Chinese spending in Asia and then the Chinese spending as they go across to Europe and the Americas. But it's about 30%.

Allegra Perry - *Cantor Fitzgerald - Analyst*

Great. Thank you very much.

Operator

Fraser Ramzan, Nomura.

Fraser Ramzan - *Nomura - Analyst*

Just I actually may have missed it on the call earlier, but I just wanted to check. In terms of your growth in retail in mainline, could you characterize the split between improvement in units per transaction and improvement in AUR, obviously taking on board the better conversion you've flagged?

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

I think it's been fairly consistent that the key driver of comp growth has been the increasing average selling price rather than pushing volume. And that average selling price is coming from very modest like-for-like price increases, with the majority coming from product elevation, either more Prorsum or more London or elevation within the product categories.

Fraser Ramzan - *Nomura - Analyst*

And did you have growth in units per transaction overall?

Carol Fairweather - *Burberry Group plc - CFO Designate*

Yes.

Fraser Ramzan - *Nomura - Analyst*

Okay. And then just moving onto e-commerce growth that you've obviously highlighted, you've talked quite a lot about the improved use and conversion on iPads in store. Should I take it from that that what you're saying is that has been the main driver? It's not so much online ordering where you're capturing the sale; there's been a big improvement around capturing the sale digitally in store.

Carol Fairweather - *Burberry Group plc - CFO Designate*

Yes. And I think it's probably coming from both, Fraser, in terms of we know that sometimes the consumer comes into the store, has a look and then goes home and buys it online. They may have looked online and come into the store.

But I don't think -- we're pleased with the fact that the iPad in stores are being used so appropriately, making sure that we never miss a sale. But I think online at home, effectively, or on a mobile device, is still showing nice growth too.

Fraser Ramzan - *Nomura - Analyst*

Okay. Thank you very much.

Operator

Mario Ortelli, Bernstein.

Mario Ortelli - *Sanford C. Bernstein - Analyst*

Two questions from me; the first one on price. You mentioned that you made very little price increases. If you can give us some color, especially in which geographies and in which product line you made these price increases.

And the second one is just a clarification. If I'm not wrong, in this quarter you made six closures of stores, of which two relocations. How many closures and relocations are you planning for this year? Thank you very much.

Carol Fairweather - *Burberry Group plc - CFO Designate*

So in terms of price increases, nothing significant to call out there, really. We're talking about very low single digit and that's really just keeping pace with inflation of cost increases.

Nothing specific either to call out by product or by region. We've talked before about our global pricing architecture and, broadly, we're staying within that, so nothing new there.

There were six closures in the quarter and in terms of the full year, Fay, (multiple speakers)?

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

We're still looking for about 15, which is what we said at the time of the prelims. And the closures we had in the first quarter were basically a couple in Hong Kong, as we react to opening Pacific Place, further evolutions of the Chinese store portfolio and then we've relocated our Frankfurt store at last.

Mario Ortelli - *Sanford C. Bernstein - Analyst*

Thank you.

Operator

As there are no further questions at this time, I would like to hand the call back to (inaudible).

Carol Fairweather - *Burberry Group plc - CFO Designate*

Okay. So thank you very much for your attention. As I said earlier, we're pleased with our start to the new financial year in what is a small retail quarter and we look forward to speaking with you again on October 15 for our first-half update. Thank you.

Operator

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