

14 October 2014

Burberry Group plc

First Half Trading Update

Burberry announces double-digit growth as revenue reaches £1.1bn in the first half

Burberry today announces revenue of £1.1bn with 14% underlying growth, reflecting a strong performance across all regions and continued digital growth. September also saw the successful launch of the My Burberry fragrance

Highlights for the six months to 30 September 2014 include

- Total revenue £1,100m, up 14% underlying
- Retail revenue £748m, up 15% underlying
 - 10% comparable sales growth
 - Double-digit comparable sales growth in Asia Pacific and Americas; mid single-digit growth in EMEIA
 - Continued digital outperformance in all regions
 - Balanced growth across major product divisions
 - Key drivers included rainwear, womens Prorsum, leather bags and mens tailoring
- Wholesale revenue £317m, up 13% underlying
 - Excluding Beauty, up 5% underlying
 - Boosted by earlier deliveries and in-season orders in H1
 - More cautious demand from travel retail and European customers in H2
 - Beauty up 55% underlying, consistent with full year guidance of up about 25%
- Licensing revenue £35m, down 3% underlying, consistent with full year guidance
- Further strategic and operational progress
 - Nine mainline stores opened, including six in airports
 - Marketing focused on core heritage products
 - Successful launch of the My Burberry fragrance, including most personalised and interactive campaign to date
- External environment becoming more difficult, partly offsetting reduced currency headwinds

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

“This has been a strong first half for Burberry, with sales growth of 14% reflecting our ongoing brand and business momentum. Looking ahead, while mindful of the more difficult external environment, we have never been better prepared internally for the all-important festive periods, with our teams intensely focused on delivering outstanding products and experiences, alongside continued investment to drive productivity and profitable growth over the long term.”

Underlying change is calculated at constant exchange rates. Certain financial data within this announcement have been rounded.

Revenue by channel

£ million	Six months to 30 September		% change	
	2014	2013	reported FX	underlying
Retail	748	694	8	15
Wholesale*	317	295	8	13
Licensing	35	42	(18)	(3)
	1,100	1,031	7	14

* H1 2014 wholesale revenue includes £75m of Beauty sales (2013: £51m)

Retail/wholesale revenue by destination

£ million	Six months to 30 September		% change	
	2014	2013	reported FX	underlying
Asia Pacific	385	354	9	17
EMEIA*	410	387	6	11
Americas	270	248	9	17
	1,065	989	8	15

* Europe, Middle East, India and Africa

Retail/wholesale revenue by product division

£ million	Six months to 30 September		% change	
	2014	2013	reported FX	underlying
Accessories	387	361	7	14
Womens	316	300	5	12
Mens	247	236	5	12
Childrens	36	38	(4)	3
Beauty*	79	54	46	54
	1,065	989	8	15

* H1 2014 Beauty revenue is £75m wholesale and £4m retail (H1 2013: £51m wholesale; £3m retail)

In the first half, revenue at Burberry increased by 14% underlying, balanced across regions and major product divisions. Retail comparable sales growth increased by 10%. The first quarter's 12% comparable sales growth was in line with our expectations but slowed in the second quarter to 8%, affected by external factors in some markets.

Looking ahead, while the negative impact of FX on full year reported profit has recently reduced, this benefit will be partly offset by the more difficult external environment. This is expected to result in slight downward pressure on the retail/wholesale margin, as we continue to invest in key initiatives to drive long-term profitable growth. Our goal to realise further margin improvement over time remains unchanged.

Retail

Retail sales in the first half increased by 15% underlying, up 8% at reported FX. Of this 15% underlying growth, comparable sales growth was 10% (Q1: 12%; Q2: 8%), with the balance from new space.

In mainline retail, comparable sales growth was relatively balanced between womens, mens and accessories, between fashion and replenishment, and between average selling price and volume. Product highlights included rainwear, driven by the relaunch of the heritage trench coat, soft accessories, womens Prorsum and solid leather bags and continued outperformance from mens tailoring.

By region in the first half, there was double-digit comparable sales growth in Asia Pacific and the Americas and mid single-digit growth in EMEIA. In the second quarter, Asia Pacific saw some softening in growth from Chinese consumers both at home and when travelling; the Americas delivered growth similar to last year and EMEIA saw some improvement from the first quarter. Combined, this delivered 8% comparable sales growth in the second quarter, balanced across the regions. Digital outperformed in all regions in the half.

During the first half, we opened nine mainline stores and closed eight. Six airport stores were opened in Hong Kong, London Heathrow, Barcelona, Madrid, Milan Malpensa and Rome.

Wholesale

Wholesale revenue in the first half increased by 13% underlying, up 8% at reported FX.

Excluding Beauty, wholesale revenue at £242m increased by 5% underlying, unchanged at reported FX. This was ahead of guidance of broadly unchanged year-on-year, due to the rephasing of shipments into the second quarter from the third quarter and higher than expected in-season orders.

Excluding the impact of ongoing strategic initiatives, such as conversion from wholesale to retail and account rationalisation, underlying growth would have been about 10% in the first half. This was led by strong growth in Asia Pacific, specifically travel retail and mid single-digit growth in both the Americas and EMEIA.

In Beauty, September saw the launch of My Burberry, the new womens fragrance, inspired by the trench coat and with our most personalised and interactive marketing campaign to date. This launch contributed to an increase in Beauty wholesale revenue of 55% underlying (up 47% at reported FX). This performance was also against a weak first half last year that saw disruption during the transition from licence to direct operation.

Licensing

In the first half, licensing revenue declined by 3% underlying (down 18% at reported FX), consistent with full year guidance. Royalty income from Japan was largely unchanged year-on-year, while the global product licences (watches and eyewear) combined were down, reflecting phasing and the rationalisation and elevation of watch distribution.

Outlook

Retail: In FY 2015, net new space is still expected to contribute low to mid single-digit percentage growth to total retail revenue, now through a combination of about 20 mainline store openings and about 20 closures during the year.

Wholesale: Excluding Beauty, we expect wholesale revenue at constant exchange rates to be down by a mid single-digit percentage in the six months to 31 March 2015 (2014: £240m), with a more cautious approach from customers selling to the European consumer and in Asian travel retail markets. For Beauty, the fifth product division, wholesale revenue is still expected to grow by about 25% at constant exchange rates in FY 2015.

Retail/wholesale profit: If exchange rates* remain at current levels, the full impact on reported retail/wholesale profit in FY 2015 will be material. As an indication, rebasing FY 2014 retail/wholesale profit for current effective exchange rates would now reduce reported profit by about £25m (all in H1) and full year adjusted operating margin from 17.5% to around 17%.

Licensing: For FY 2015, we continue to expect broadly unchanged revenue at constant exchange rates in both Japan and global product licences. At current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

* Effective rates as at 6 October 2014, taking into account the current hedged positions

Enquiries

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry corporate website (www.burberryplc.com), with a replay available later. Burberry will announce its Interim Results for the six months to 30 September 2014 on 12 November 2014.

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Notes to editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and some of the most recognised icons in the world.
- Burberry designs and sources apparel, accessories and beauty, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify accessories; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 30 September 2014, Burberry globally had 216 retail stores, 224 concessions, 55 outlets and 66 franchise stores.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.

Exchange rates

	2014				FY 2014 average rate
	6 October average rate*	3 July average rate~	12 May spot rate	9 April spot rate	
Euro	1.26	1.25	1.23	1.21	1.19
US Dollar	1.64	1.71	1.69	1.67	1.59
Chinese Yuan Renminbi	10.04	10.62	10.45	10.28	9.78
Hong Kong Dollar	12.65	13.25	13.06	12.93	12.38
Korean Won	1,714	1,732	1,730	1,756	1,734
Yen [#]	163	164	164	163	137

* Full year effective rate, i.e. first six months at actual FX rates, remaining six months at 6 October spot rates

~ Full year effective rate, i.e. first three months at actual FX rates, remaining nine months at 3 July rates

[#] Full year effective rate, taking into account current hedged positions