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BRBY.L - Burberry Group plc Q3 2013-2014 Interim Management Statement and Trading Update Conference Call

EVENT DATE/TIME: JANUARY 15, 2014 / 9:00AM GMT



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PRESENTATION

Operator

Good day and welcome to the Burberry Group plc Q3 trading update conference call. For your information 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 plc - CFO

Good morning and welcome to Burberry's third quarter trading update conference call. With me this morning is Fay Dodds, our Vice President of Investor Relations. I will make a few brief comments on Q3 retail sales and then we will be happy to take your questions.

In the third quarter retail revenue increased by 14% at both constant and reported exchange rates. As Angela said in her quote, this performance was driven by a planned increase in investment in marketing, customer service, both offline and online, and in our retail portfolio. Comparable sales grew by 12% in this all-important festive period.

By region, Asia Pacific again delivered double-digit growth led by Hong Kong, Macau and Taiwan. Comp growth in mainland China reached double digits again although our team on the ground in Asia believe this might have benefited some degree from the earlier timing of Chinese new year. And we're also pleased with our improving performance in Korea.

Americas and EMEA delivered mid to high single-digit growth with a robust performance in the UK, France and Germany while Italy remained weak.

Many of the drivers of comp growth were consistent with previous periods. Traffic was weak offline but grew online. Conversion increased in both channels. Digital outperformed in all regions. Outerwear and large leather goods together contributed half of the main line growth and men's tailoring and accessories grew strongly.



The growth in average selling price moderated in the third quarter as expected, driven in part by the success of the festive offer boosting scarves, small leather goods and beauty, but also by the performance of Burberry Brit. Brit apparel clearly benefited from the halo effect of the marketing around the Brit Rhythm for Men fragrance launch and we have the women's launch coming later this quarter.

As I said in the introduction, we had planned to drive sales during the festive period by increase in investment. Taking digital as an example, we added three more languages to burberry.com, bringing the total to 11. Improvements in marketing and customer insight attracted more customers to the website. Having brought fulfillment in-house we doubled the number of orders dispatched year on year whilst improving delivery options. Collect in-store was available in over 100 stores globally and we increased the number of people in customer service by about 30%. And this strategy of increasing investment has clearly delivered results in terms of the 12% comp growth.

Globally we continue to execute against our five key strategies. Under Leverage the Franchise the festive campaign created record engagement on social media, contributing to our success in the recent L2 digital innovation survey where we were named the fashion brand with the highest digital IQ for the third successive year.

Under Intensify Accessories key shapes continue to drive the penetration of solid leather within ladies' large leather bags.

Under Accelerate Retail-led Growth we opened a net five stores in the quarter including the first Burberry Beauty Box which opened in December in Covent Garden.

And in Under-penetrated Markets we completed the acquisition of three stores in Thailand, a high potential market for domestic and luxury consumers.

And finally under Operational Excellence we continue to enhance and embed the use of customer one-to-one, our iPad-based customer service tool.

Looking forward we've not changed any of our guidance since the interims in November. The only significant factor to call out is the impact of the further strengthening of sterling, particularly against dollar-denominated currencies.

At the interims we said that we expected the GBP4m translation benefit to profit in the first half to reverse in the second half. Given the movement in exchange rates since then, if current rates persist we now expect the impact of translation in the second half to be about a further GBP5m negative from where we were then together with other FX impacts you expect in any global business. And as you adjust your underlying model, remember that at current rates this negative currency impact will continue into next year too.

In conclusion, we are pleased with our 12% comp growth, driven by the planned investment in digital, marketing, customer service and retail. The macro remains uncertain and FX is a significant headwind at current rates but we continue to focus on executing our proven strategies to deliver long-term value.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Luca Solca, Exane.



Luca Solca - *Exane BNP Paribas - Analyst*

Yes, good morning. I wonder if you could give us a bit more background on how you see Chinese demand shaping up. I think there's been quite a concern in the investor community about Chinese discretionary demand and there seems to be a controversy there.

When you point to the uncertainty in the macro, do you see any area where you have less clarity in terms of how demand could shape up down the road in 2014? I'm scratching my head in trying to understand where American luxury demand could come to.

And I wonder if you're seeing an impact from operating expenditure affecting your guidance on operating margins or not? Thank you very much indeed.

Carol Fairweather - *Burberry plc - CFO*

Okay Luca. Thank you. So in terms of China, I think you asked about what's happening there in terms of demand. In the numbers we posted this morning we are saying that China, mainland China, returned to double digit in this Q3. We think that may have been impacted a little bit by the timing of Chinese new year, which is a couple of weeks earlier than last year, and therefore I think the local Chinese may have been buying presents for the Chinese new year celebrations towards the end of the third quarter.

But notwithstanding that we're pleased with our performance in China. I think we continue to see that our new stores outperform the stores we acquired. We continue to invest in customer service in China; we know that's really important. We have our store in Shanghai at the Kerry Center, our largest store in Asia Pacific, opening later this month. So we continue to see progress in China knowing that the Chinese consumer is probably 20, 25 years younger and therefore really our digital innovation particularly appeals to them.

But as important is what's happening outside of China and really the investment we're making in China is so that we also benefit when they travel outside China. And we saw tourist numbers increase again in Q3 and Chinese make up a large percentage of those tourist numbers. So that's our view currently on China.

In terms of the weaker macro generally, there's nothing specifically that we're calling out I don't think.

Fay Dodds - *Burberry plc - VP IR*

No I think you just point -- for example if you look at the latest Bain Altagamma report they call their forecast down for the luxury market as a whole. And certainly we share your slight confusion about the outlook for the US. We were there in December and it's just quite a difficult market for us to read. But again very, very pleased with the performance there, particularly on the digital side where the US consumer's behavior is evolving probably more rapidly than anywhere else in the world.

Carol Fairweather - *Burberry plc - CFO*

And then to your point on operating expenses and margin, what we're saying is no change to full-year guidance today of the modest improvement from the 17.1% last year. Important to note that, as we've talked to you before, the investment we are making in digital, in marketing, in customer service, in our retail stores is what has helped drive that comp sales performance in Q3. So continue to invest in activities that drive long-term sustainable growth at the top line. So no change to operating or EBIT margin guidance today.

Luca Solca - *Exane BNP Paribas - Analyst*

Excellent. Thank you very much indeed.



Operator

Thomas Chauvet, Citigroup.

Thomas Chauvet - Citigroup - Analyst

Good morning Carol, Fay. Three questions please. The first one, you talked about the moderation in ASP growth largely due to the outperformance of Brit. It's probably the first time, if I'm not mistaken, that Brit outperforms the top end of the pyramid. What would you think was the reason for that in terms of perhaps the consumer mood around Christmas?

Secondly, do you have any comment on the shape of your inventory position at the end of December?

And thirdly on beauty, you're referring to a complex transition year as we know which led you to trim your profit and margin guidance there. Could you try to help us now that you're probably preparing for next year understand how next year, a normal year, would look like for beauty from a revenue and margin standpoint based on what you're seeing in terms of inventory level, how you've coped with the manufacturing issues, what is your new maybe A&P budget etc. etc? Thank you.

Fay Dodds - Burberry plc - VP IR

I'll take the average selling price. Certainly what we've seen in this quarter is that the average selling price growth has moderated and there are two main factors behind that. Firstly the success of festive has meant we've seen really strong performance from things like scarves, small leather goods and beauty which obviously have a lower selling price. And then secondly we did see a very modest outperformance of Brit.

I think we've said to you before that our pyramid is now kind of at the shape that we want it to be which is broadly 50% Brit, 45% London, 5% Prorsum and so I wouldn't expect to see that change much. And clearly what we saw in the third quarter is with the marketing campaign behind the Brit Rhythm for Men fragrance that clearly had a halo effect on Brit apparel, mainly in the menswear but also we had a very strong women's outerwear offer in Brit. So it was pretty marginal but it did have the impact of moderating average selling price. We would still expect to see elevation within product categories and we would still expect to see some like-for-like price inflation going forward.

Carol Fairweather - Burberry plc - CFO

Yes and then just turning to your comment on inventory, nothing to call out at this stage of any difference in terms of our inventory position at the end of December from what we were expecting. So no new news there.

And in terms of beauty, we talked to you at the interims about the transition we have been through. We are holding the guidance we gave you in November of GBP140m of revenue albeit constituted and comprised in a slightly different way than we expected at the beginning of the year, and around GBP10m EBIT in this transitional year. And as you'd expect, we're working through our budgets for next year right now and we'll come back and share more with you, particularly in terms of wholesale guidance for H1 on beauty, when we next talk to you in April.

Thomas Chauvet - Citigroup - Analyst

Thank you very much.

Carol Fairweather - Burberry plc - CFO

Thank you.



Operator

Mario Ortelli, Bernstein.

Mario Ortelli - *Sanford Bernstein - Analyst*

Morning. Two questions from me. The first one, if you can give us color about the increase of marketing spend, especially if you're spending more on digital media or on traditional media and which percentage of sales is this marketing cost spend.

The second one is what share of the sales are due to markdowns in the last quarter and in comparison to the previous year?

Carol Fairweather - *Burberry plc - CFO*

In terms of marketing spend, I think we're talking about increased marketing spend. We've got more available to us; now we've got the beauty business in-house we're able to leverage off of that bigger marketing pot.

And we continue to invest in very innovative ways digitally and I think in terms of our festive campaign I think it had the biggest take-up digitally in terms of the whole of the festive campaign on digital marketing. So digital marketing continues to -- over the last two years we have switched a large percentage of our marketing budget into digital. I think we're about rightly balanced now but we'll continue to keep that under review. So just pleased to have the combined pot of marketing available to us of the beauty and the fashion budget together.

Fay Dodds - *Burberry plc - VP IR*

And then in terms of markdowns, really nothing to say. We went on sale at the same time as we did last year, which was after or in line with most of our peers. And if you look at our full-price sales in the third quarter they were much stronger than our markdown sales so this sales performance wasn't at the expense of margin.

Mario Ortelli - *Sanford Bernstein - Analyst*

Thank you.

Operator

Julian Easthope, Barclays.

Julian Easthope - *Barclays Capital - Analyst*

Yes, hi. Good morning. I've got three questions as well if I may. First of all, in terms of your tourism spend you said that it remained very strong. I just wonder whether you've seen a noticeable difference between the performance of the European tourists, of tourists coming to Europe, relative to tourists coming to the US given the changes within the FX.

The second question is the general industry trends that we've seen with the move to leather away from canvas, I know your checked bags are obviously -- is it possible to say what percentage of your sales of your large leather goods bags are actually the canvas bags in check and whether or not they're suffering the same sort of issues that other companies are seeing and whether or not leather -- and how leather is actually performing relative?



And lastly in terms of the same-store sales growth, is it possible to give an indication as to how online did within that relative to the stores because I assume it has been very good recently? Thank you.

Carol Fairweather - Burberry plc - CFO

Yes. So Julian, in terms of tourist spend we saw another nice increase in tourist transactions globally in Q3. In terms of America versus Europe, we know that the Americas or the US tends to be much more of a home market and less of a tourist-driven market. So no big shift in terms of anything we've seen given the impact of FX in terms of tourist patterns to date.

In terms of leather versus canvas, Fay?

Fay Dodds - Burberry plc - VP IR

Yes, I think we've talked to you before how the penetration of our solid leather bags is increasing significantly. You'll remember that we withdrew from Nova, it must have been now two years ago, and there's been a lot of innovation going through around the Haymarket and House check, but we are still seeing outperformance from the solid leather bags helped by some of the new materials and also by the key shapes such as the Orchard and the Crush.

Carol Fairweather - Burberry plc - CFO

And then just in terms of like-for-like, we don't split out the performance of online, but we have said that online absolutely underperformed -- over-performed in this quarter.

And important, Julian, that although we don't split that because we do not think internally about online versus offline. We want to make sure that all the investment we're making in digital, whether people come into the store and then buy off the iPad, that's absolutely fine, whether they look on the iPad and then come into the store. So digital outperformed. We know it helped drive the growth but we don't -- internally we're reinventing the way we think about retail and we just look at those two combined really.

Julian Easthope - Barclays Capital - Analyst

Thank you very much.

Operator

John Guy, Berenberg.

John Guy - Berenberg Bank - Analyst

Good morning. Thanks. Just a couple of questions from me as well. Just following on from the online versus the same-store sales growth, the iPad sales and the click and collect in-store, just to confirm, they do go into the comp? And are you thinking about changing the way that you report that? That's my first question.



Carol Fairweather - Burberry plc - CFO

John they do. iPad sales and click and collect at the moment we record as a digital sale. I just spoke on the last question about just really looking at the way we are thinking internally and as part of that our reporting will evolve as well. But safe to say, actually having those iPad sales in stores and the click and collect and the investment we've made is absolutely what helps drive our comp sale in this quarter.

John Guy - Berenberg Bank - Analyst

And are you going to give us any quantification on the 12% or --

Carol Fairweather - Burberry plc - CFO

No.

John Guy - Berenberg Bank - Analyst

And with regards to Korea, obviously nice to see an up-tick there after a progressive 12 months of new management. With regards to the new flagship, is that due to go into Korea in 2014 or in 2015?

Carol Fairweather - Burberry plc - CFO

It goes in, in 2015, yes. It will be a key moment for the brand in that market because to date we've just had concessions. This will be the first standalone store and it's a pretty glorious store.

John Guy - Berenberg Bank - Analyst

Okay. And finally just with regards to some of the comments you made around festive trading, strong sales, slightly stronger sales in Brit and also scarves and small leather goods, all indicate a pretty positive mix effect in terms of gross margin. So relative to the investment that you've been putting into marketing, should we start to see maybe a little bit more positive leverage coming through given the implied positive mix here?

Carol Fairweather - Burberry plc - CFO

Yes, no, I think we've talked before about the improvement we've seen in gross margin over the last few years now beginning to moderate. We are pleased with the performance of our gifting strategy over festive and what that did in terms of top line. But I don't see that we'll be, I wouldn't be changing particularly any of our gross margin guidance today on the back of that. And don't forget we've also flagged FX, which on a translation basis will also affect the reported number on gross margin going forward. So no significant, nothing significant to call out on gross margin today.

John Guy - Berenberg Bank - Analyst

Okay, great. And, sorry, just one final follow-up on the UK. I know also called that out as a strong market within Europe.

Carol Fairweather - Burberry plc - CFO

Yes.



John Guy - *Berenberg Bank - Analyst*

The Regent Street and Knightsbridge contribution.

And I think in terms of store openings you mentioned in the release that you had two in China, you had one in Mexico and you had the Beauty Box in Covent Garden. Out of the five net, where was the other one?

Carol Fairweather - *Burberry plc - CFO*

Singapore. Yes, Singapore. It was a children's store in Singapore, so on that one.

In terms of the UK, Regent Street and Knightsbridge, yes, both performing very nicely. And Regent Street I think in terms of digital, what we've been able to drive there both in terms of iPad sales and click and collect, we're very pleased with the performance that has helped drive over the Christmas period.

John Guy - *Berenberg Bank - Analyst*

Fantastic, many thanks.

Carol Fairweather - *Burberry plc - CFO*

Thank you John.

Operator

Warwick Okines, Deutsche Bank.

Warwick Okines - *Deutsche Bank - Analyst*

Yes, good morning. A couple of questions on space please. Firstly, could you just help us understand the slowdown in the contribution to sales from new space for this quarter, which I think was about 2% compared with 4% the prior quarter? Quite a lot of moving parts I guess. Just if you could help us understand that.

And secondly, could you give us some indication of your space plans for the financial year ahead, what sort of store opening program you anticipate and where closures might have come as well? Thank you.

Carol Fairweather - *Burberry plc - CFO*

Warwick, in terms of space in the quarter important to note that today we're calling out no change to our guidance on contribution from new space in the full year, which we still see as being low to mid single-digit. So nothing that has happened in Q3 has changed our guidance. Important probably not to get overly analytical about the Q3 number itself. Remember it's a net number and so reflects openings and closures, and the absolute amount of space opened in Q3 was slightly less than it has been in previous quarters.

So we tend to look at it on an annual basis. All those stores are of course tested against our benchmark hurdle rate. But no change to contribution from new space for the full year even though Q3 does look like a tad off that guidance that we've given you.



Then in terms of space for the year ahead, again we're not -- we're finalizing our budgets as we speak. And we talked to you before about on average 10%, around 10% space growth over the coming three years, but we don't -- we're not guiding on space specifically in terms of square foot going forward and that will vary year-on-year depending on the timings of the openings, particularly with these larger flagships. So nothing new to say today on space guidance going forward or contribution from new space.

Warwick Okines - *Deutsche Bank - Analyst*

Could you maybe just talk about the areas where store closures will be required in the year ahead then or just a sense of whether or not that activity is going to slow down or accelerate compared with this year?

Fay Dodds - *Burberry plc - VP IR*

Yes, again, as Carol said, we're finalizing our budgets. Where you will see continuing evolution is clearly in the Chinese portfolio as we move out of those acquired stores. And I think we've said that the new stores significantly outperform the acquired stores and that's one of the reasons we're outperforming in China.

And then it's almost on a case-by-case basis as we look at the opportunity to relocate some stores. So, for example, in this quarter we relocated our store in Hamburg and that counts as a stock/store closure and store opening. So China I think is the one market where there's perhaps strategic evolution and then it's being done on a store-by-store basis.

Warwick Okines - *Deutsche Bank - Analyst*

That's great. Thank you very much.

Operator

Fraser Ramzan, Nomura.

Fraser Ramzan - *Nomura - Analyst*

Thanks very much. Good morning. Just really trying to join a few dots on online and digital sales really. I think in the past you've indicated that sales generated online as opposed to in-store were a mid single-digit percentage of sales. Is that correct?

Carol Fairweather - *Burberry plc - CFO*

Yes it is. And we said that digital outperformed in this quarter so that's nudging up, but again it's still a reasonably small percentage of our overall sales base.

Fraser Ramzan - *Nomura - Analyst*

But that would be a mid-single-digit percentage of retail sales as opposed to retail/wholesale, just to be clear.



Carol Fairweather - Burberry plc - CFO

Yes, which is back to the point Fraser that we're not obsessing about the percentage because it's really about servicing that customer however they end up effecting the transaction at the end of the day with us.

Fraser Ramzan - Nomura - Analyst

Sure. And at the half year you also indicated that penetration in the Americas was more than double the Group average, I think that's right, so it would be fair to say it would be in double-digits then in the Americas.

Carol Fairweather - Burberry plc - CFO

Yes, it's definitely a higher percentage in the Americas and we said that we had a very nice performance on digital in the Americas or in the US in the third quarter.

Fraser Ramzan - Nomura - Analyst

Right, and you just indicated that you shipments, your online shipments, doubled in the quarter I think in your introductory comments. That obviously doesn't indicate that sales necessarily doubled but --

Carol Fairweather - Burberry plc - CFO

The number of orders, yes.

Fraser Ramzan - Nomura - Analyst

Was it, sorry, the orders doubled in the period? Okay. And then just a final one, on your hurdle rates and paybacks, do you factor sales generated outside of a store into your payback calculations and IRR calculations for whether or not to make an investment in a store?

Carol Fairweather - Burberry plc - CFO

No. At the moment we're continuing to evaluate it on a four-walled basis but clearly as it becomes a more important part, you know, we talk about reinventing retail, we need to re-look at every metric when we're evaluating and reporting our KPIs internally. So we will evolve that, but at the moment those store projects are still evaluated just on a four-walled basis. And we may obviously look a memorandum in terms of what the digital contribution might be, but we'll continue to evolve our models and evaluations as the business continues to shift.

Fraser Ramzan - Nomura - Analyst

That's great. Thanks. Very helpful. Thanks.

Operator

Geoff Ruddell, Morgan Stanley.



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Geoff Ruddell - Morgan Stanley - Analyst

Yes, morning. Three questions if I may. The first one just following up from Fraser. On your online sales, roughly what proportion is being click and collected?

Carol Fairweather - Burberry plc - CFO

I'll let Fay look that one up while we, I'll take the next question.

Geoff Ruddell - Morgan Stanley - Analyst

I'll move on to the next one, which is I was wondering how -- you talk about increased investments in digital marketing. I was wondering how much of your traffic to your website comes from paid search.

Fay Dodds - Burberry plc - VP IR

Er -- that's a big er. Can we get back to you on that?

Geoff Ruddell - Morgan Stanley - Analyst

Okay. And then finally hopefully an easy one. Do you have any clarity yet on when Christopher will formally take over as CEO?

Carol Fairweather - Burberry plc - CFO

No. We're still in transition. As we talked about, mid-2014. Clearly we're all working very closely with Angela and Christopher through this transition phase. Important to note we had two and a half months of transition, if you like, in Q3 and posted this very nice number so it's very much focused on transition and business as usual, working as a management team, as we have done for the last several years.

Geoff Ruddell - Morgan Stanley - Analyst

Okay.

Fay Dodds - Burberry plc - VP IR

And collect in-store for the quarter was about 15% of digital sales, but big regional variations and big variations by store.

Geoff Ruddell - Morgan Stanley - Analyst

And is your returns to store a similar sort of percentage or is that higher or lower?

Fay Dodds - Burberry plc - VP IR

That's another er. Could you stop doing that Geoff please?



Geoff Ruddell - *Morgan Stanley - Analyst*

Sorry.

Fay Dodds - *Burberry plc - VP IR*

No idea, we'll get back to you on that as well.

Geoff Ruddell - *Morgan Stanley - Analyst*

Okay, thanks very much.

Operator

(Operator Instructions). Rogerio Fujimori, Credit Suisse.

Rogerio Fujimori - *Credit Suisse - Analyst*

Hi everyone. I was wondering if you could update us on how the Burberry pyramid composition in China compare with your other markets? Is it still a bit more skewed to Brit than other regions?

And also how has the gender mix in China evolved with your success in men's tailoring and accessories? I'm just trying to get a sense of how much catch-up versus global averages is still left to be captured. Thank you.

Carol Fairweather - *Burberry plc - CFO*

I think we've shifted over the last few years. As we have taken back the business in China we have evolved that pyramid and therefore it much more mirrors the global pyramid, if you like. But I think there is still slightly more penetration of Brit than globally, but a significant shift from where we were three or four years ago when we took the business back.

And in terms of men's as well, I think there may be a slight bias in China toward men's where we have been very successful in terms of particularly men's and mens' accessories, and again slightly higher penetration than globally but not super-significant.

Rogerio Fujimori - *Credit Suisse - Analyst*

And have you implemented any price increases in any of your key markets in January?

Carol Fairweather - *Burberry plc - CFO*

In January.

Fay Dodds - *Burberry plc - VP IR*

No, I don't think so.



Carol Fairweather - Burberry plc - CFO

Nothing specific I don't think. We always talk about strategically we are now broadly where we want to be from a pricing global architecture perspective. We will look at markets on a tactical basis and follow if there is something that everybody else is doing and we think there's either a particular country or a particular product line that we may want to move, but nothing specific to call out.

Fay Dodds - Burberry plc - VP IR

No, because we tend to review our pricing at the beginning of each season and clearly spring/summer goes in, in November and then autumn/winter about June time.

Rogério Fujimori - Credit Suisse - Analyst

Thank you very much.

Operator

Omar Saad, ISI Group.

Vic Mohan - ISI Group - Analyst

Hi. This is Vic in for Omar. I'm wondering if you could give us a little bit of an update on the Italy market and some of the weakness you're seeing here. Is there stabilization on the horizon or do you expect this to continue? Thanks.

Carol Fairweather - Burberry plc - CFO

Yes, Italy, I think we've called out this morning, continues to remain weaker than elsewhere in Europe. And clearly we're focusing on making sure that we can continue to perform well in that region, but I don't think there's anything new of different to call out compared to where we were when we last spoke to you.

Vic Mohan - ISI Group - Analyst

Thanks. And on Korea, on the improvement in Korea, is there anything else to mention there? Is there any kind of key drivers behind that improvement?

Carol Fairweather - Burberry plc - CFO

I think we have talked before about the change that we've made in the management team there and I think we are now seeing the results of that. And we just remain very focused on continuing to improve performance as the whole market also continues to improve. So we're pleased with what we've seen in Korea.

Fay Dodds - Burberry plc - VP IR

I think it's around much more focused marketing, working more with VIPs and doing more PR activity there, elevation of the product, as we mentioned before, looking forward to the flagship opening in 2015.



Vic Mohan - ISI Group - Analyst

Thank you very much.

Operator

Erwan Rambourg, HSBC.

Erwan Rambourg - HSBC - Analyst

Yes, hi. Good morning. Three questions as well. I'm sorry it's a bit typical. I just wanted to come back to Korea to figure out is the improvement linked to the fact that duty free is flying in Korea or is it also linked to the local market, and is this improvement Burberry-specific or are you seeing basically the entire Korean market for soft luxury goods doing slightly better? That's question number one.

Question number two is on China. If you can remind us of where your footprint is today and where you want it to be eventually.

And also I think you anecdotally mentioned that maybe Q3 had seen a bit of help from the anticipation of a slightly earlier Chinese new year. So, all things being equal, should we expect Q4 to be slightly affected negatively by that?

And then thirdly, coming back to the very strong same-store sales growth for the quarter, can you give us a sense of what is the balance between unit growth, mix growth and price growth to explain this 12%? Thank you.

Carol Fairweather - Burberry plc - CFO

Yes, so in terms of Korea the duty-free market in Korea tends to be a wholesale market for us rather than a retail market. So we're not reporting in wholesale on this quarter so the numbers we're reporting today are our retail business which tends to be much more of a local market, domestic market.

In terms of China we're now at 72 stores compared to I think we were at 71 at the end of September. So continuing with our rollout plan and we continue to evaluate all of those stores against our hurdle rate, as you would expect us to do, making sure they're in the right locations with the right adjacencies. So happy to share more plans with you on China as they develop but we're continuing to see those new stores outperforming the existing stores. So rollout plan continues albeit continually evaluating against our investment criteria.

We have talked about the fact that the earlier timing of Chinese new year may have helped our same-store sales growth in China, which got back to double-digit in Q3. We don't guide on Q4 but just to say we are well set up for Chinese new year wherever that luxury Chinese consumer wants to be during that period, be it at home or when they're travelling elsewhere.

Then in terms of what drove the like-for-like between unit, mix and ASP, I think we talked before about the fact that average selling prices -- it was more unit-driven than average selling price in this quarter, as we had planned for it to be, so we're happy with the way the like-for-like was delivered.

Erwan Rambourg - HSBC - Analyst

I just wanted to come back -- thanks for that. I just wanted to come back on the Korean question. So the improvement in the underlying local market which is driven by locals, is this a Burberry-specific or are you seeing the overall market doing better in Korea.



Fay Dodds - Burberry plc - VP IR

Yes, I think the market is probably a bit better from what we can see about how our peers are performing, but certainly I think the actions that we have taken by the new management team around marketing and product, and starting to look at the concession base there, are delivering results.

Erwan Rambourg - HSBC - Analyst

Fantastic. Thanks a lot for your help. Thanks.

Operator

At this time there are no further questions in the queue.

Carol Fairweather - Burberry plc - CFO

So thank you for your attention. As I said earlier, we are pleased with our third quarter retail sales performance driven by those planned investments. Whilst the macro remains uncertain and FX the headwind, we have exciting plans in the coming period for retail, digital, marketing and beauty, which we believe will drive sustainable long-term growth. And we look forward to speaking to you again on April 16 when we'll be announcing our second-half sales. So thank you.

Operator

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

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