

15 April 2015

## **Burberry Group plc**

### **Second Half Trading Update**

**Burberry announces revenue of £1.4bn, up 9% underlying, with double-digit growth in Americas and EMEIA and strong demand for core heritage trench coats and scarves**

#### **Highlights for the six months to 31 March 2015**

- Total revenue £1,423m, up 9% underlying
- Retail revenue £1,059m, up 13% underlying
  - 9% comparable sales growth
    - Double-digit % growth in Americas and EMEIA
    - Low single-digit % growth in Asia Pacific, with further deceleration in Hong Kong
    - Digital again outperformed in all regions
    - Strong demand for heritage trench coats and scarves
- Wholesale revenue £331m, unchanged underlying
  - Excluding Beauty, down 3% underlying, in line with guidance
  - Beauty up 8% underlying, consistent with full year guidance of up about 25%
- Licensing revenue £33m, up 3% underlying, consistent with full year guidance
- Seven mainline stores opened including
  - United States: Rodeo Drive flagship in Los Angeles and Miami Design District
  - Japan: Osaka flagship and Omotesando, Tokyo relocation
- FY 2016 outlook
  - Net new space to contribute low single-digit % growth to retail revenue in FY 2016
  - Wholesale broadly unchanged in H1 at constant FX, with Beauty up double-digit %
  - Due to planned Japanese licence expiry, licensing down about 40% in FY 2016
  - Benefit from FX to be partly offset by geographic and channel mix

Christopher Bailey, Chief Creative and Executive Officer, commented:

“We are pleased to report a robust second half performance, despite an uncertain external environment. Total revenue grew by 9% underlying and 13% in retail, as customers responded strongly to product innovation, especially in our core British-made heritage trench coats and scarves, while we continued to invest in digital and retail initiatives, including flagship openings in Los Angeles and Japan.

We anticipate external challenges will continue in the current year, but remain confident in our long-term strategy to build the Burberry brand and business globally.”

## Revenue by channel

£ million	Six months to 31 March		% change	
	2015	2014	reported FX	underlying
Retail	1,059	928	14	13
Wholesale	331	333	(1)	-
Licensing	33	37	(10)	3
	<b>1,423</b>	<b>1,298</b>	<b>10</b>	<b>9</b>

## Retail/wholesale revenue by destination

£ million	Six months to 31 March		% change	
	2015	2014	reported FX	underlying
Asia Pacific	553	516	7	4
EMEIA*	459	425	8	12
Americas	378	320	18	15
	<b>1,390</b>	<b>1,261</b>	<b>10</b>	<b>9</b>

\* Europe, Middle East, India and Africa

## Retail/wholesale revenue by product division

£ million	Six months to 31 March		% change	
	2015	2014	reported FX	underlying
Accessories	506	455	11	10
Womens	427	384	11	11
Mens	310	285	9	8
Childrens	41	40	2	-
Beauty	106	97	9	10
	<b>1,390</b>	<b>1,261</b>	<b>10</b>	<b>9</b>

Underlying performance removes the effect of changes in exchange rates compared to the prior period. Certain financial data within this announcement have been rounded. The financial information contained herein is unaudited.

## **Retail**

Retail sales in the second half grew by 13% underlying, up 14% at reported FX. Of the 13% underlying increase, comparable sales growth was 9% (Q3: 8%; Q4: 9%), with the balance from new space.

By region in the second half, there was double-digit percentage comparable sales growth in both the Americas and EMEIA, with strong performance in the UK, France and Italy from both domestic and travelling luxury customers. Asia Pacific delivered low single-digit percentage comparable sales growth. Within this, China and Korea grew by a mid single-digit percentage, while Hong Kong, a high margin market, decelerated further during the period, resulting in a mid single-digit percentage decline in comparable sales in the half. Digital again outperformed in all regions.

Product highlights included heritage trench coats and scarves, which were featured across key brand and marketing activities, celebrating their British-made origin. Further investment and innovation in ponchos drove exceptional growth, with good consumer and media interest in our wider monogramming offer.

During the second half, Burberry opened seven mainline stores and closed nine. Openings included a flagship in Rodeo Drive, Los Angeles, a store in the Miami Design District, as well as our second dedicated Beauty store globally, in Seoul, Korea.

Directly-operated stores in Japan continued to perform strongly with over 30% comparable sales growth. During the half, we opened a flagship in Osaka, our fifth free-standing store, relocated the store in Omotesando, Tokyo and opened three concessions, bringing the total to 13. As we build direct operations, the timing and availability of brand and commercially appropriate retail space looking forward is likely to impact our targets for FY 2017.

## **Wholesale**

Total wholesale revenue in the second half was unchanged year-on-year on an underlying basis, down 1% at reported FX.

Excluding Beauty, wholesale revenue at £231m decreased by 3% underlying, in line with guidance. As expected, cautious ordering from wholesale customers selling to the European consumer and in Asian travel retail markets led to a low to mid single-digit percentage decline in EMEIA and Asia Pacific. Revenue in the Americas was broadly unchanged as we further elevated and repositioned our wholesale presence in that market.

Reflecting the success of the My Burberry fragrance, Beauty wholesale revenue in the second half was up 8% underlying, giving £100m for the second half and £175m for the year. This represents 25% underlying growth for FY 2015, in line with guidance.

## **Licensing**

In the second half, licensing revenue increased 3% underlying, down 10% at reported FX. This resulted in unchanged revenue for the full year on an underlying basis, in line with guidance.

For the full year, royalty income from Japan was £53m, broadly unchanged at constant FX, as was revenue from global product licences.

## Outlook

*Retail:* In FY 2016, net new space is expected to contribute low single-digit percentage growth to total retail revenue, with 15-20 mainline store openings and a similar number of closures. This includes further evolution of the store portfolio in China.

*Wholesale:* Burberry expects total wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2015 (2014: £317m). Excluding Beauty, we expect wholesale revenue to be down by a low single-digit percentage, with similar regional trends to those seen in the second half of FY 2015. For Beauty, wholesale revenue is expected to grow by 10-15% at constant exchange rates in FY 2016, with additional contributions from retail and digital channels.

*Retail/wholesale profit:* As previously indicated, exchange rates have had a material impact on reported profit this year. Our expected FY 2015 reported retail/wholesale profit will be about £25m lower than it would have been at FY 2014 exchange rates, broadly consistent with the guidance given at the Third Quarter Trading Update in January 2015.

Looking forward to FY 2016, if exchange rates\* remain at current levels, our latest expectations for FY 2016 reported retail/wholesale profit would be about £50m higher than at FY 2015 rates. This is an increase of about £10m since January 2015, reflecting the movement in exchange rates.

For FY 2016 retail/wholesale operating margin, we currently expect the benefit from FX and tight cost control to be partly offset by geographic and channel mix and continued investment in the business.

*Licensing:* Total licensing revenue for FY 2016 is planned to be down by about 40% at constant exchange rates (2015: £68m), due to the expiry of the Japanese licences in June 2015. For FY 2016, we expect double-digit percentage growth from the global product licences and about £25m revenue from Japan, as previously guided. This comprises income from the existing licences, including the orderly transition and exit of local licensed product and the first income from the new Blue/Black Label licence.

At current exchange rates\*, the impact of the movement in the sterling/yen rate on reported licensing revenue in FY 2016 is not expected to be material.

\* Effective rates as at 31 March 2015, 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](http://www.burberryplc.com)), with a replay available later. Burberry will announce its Preliminary Results for the twelve months to 31 March 2015 on 20 May 2015.

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. Nothing in this announcement should be construed as a profit forecast. 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, built around its core iconic outerwear.
- Burberry designs and sources apparel, accessories and beauty, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- At 31 March 2015, Burberry globally had 214 retail stores, 213 concessions, 57 outlets and 67 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.