

14 January 2015

## **Burberry Group plc**

### **Third Quarter Trading Update**

**Burberry announces strong quarter, with retail sales up 15% underlying and double-digit comp growth in Americas and EMEIA**

#### **Highlights for the three months to 31 December 2014**

- Retail revenue £604m, up 15% underlying
- Comparable sales up 8%
  - Double-digit % growth in Americas and EMEIA
  - Low single-digit % growth in Asia, reflecting
    - Disruption in Hong Kong, a high margin market
    - Robust performance in mainland China and Korea
  - Digital again outperformed in all regions
- Further operational progress
  - Successful launch of festive campaign
  - Strong performance from heritage trench coats and cashmere scarves
  - Exceptional response to runway-inspired ponchos
  - Flagship store opened on Rodeo Drive, Beverly Hills
  - New Omotesando, Tokyo store and two additional concessions opened in Japan, ahead of licence expiry later in 2015
  - First dedicated beauty store opened in Asia, in Seoul, South Korea

Christopher Bailey, Chief Creative and Executive Officer, commented:

“We’re pleased to report a strong performance over this important period, during which our teams worked tirelessly to bring the very best of the brand to the customer in our stores and online. 15% underlying growth in retail sales reflects this commitment to every element of the customer experience, from product, to marketing, to service.

Looking ahead, we will bring equal focus to maximising the opportunities of the final quarter – including Lunar New Year – while being mindful of what remains a challenging external environment.”

At £604m, retail revenue in the third quarter increased by 15% underlying and 14% at reported FX. Comparable sales growth was 8%, with the balance from new space.

By region, there was double-digit percentage comparable sales growth in the Americas and EMEA. Asia Pacific delivered low single-digit percentage growth, primarily reflecting the disruption in Hong Kong, a high margin market, where comparable sales fell slightly in the period. Mainland China and Korea grew by a mid to high single-digit percentage. Digital again outperformed in all regions.

By product, the relaunch of heritage rainwear and cashmere scarves drove strong growth, reflecting the intensified focus in these core categories, across design, marketing, merchandising and in-store execution. In fashion, runway-inspired ponchos saw exceptional performance.

During the third quarter, we opened five mainline stores and closed four. Openings included relocations in Beverly Hills and Tokyo, as well as our second dedicated beauty store globally, in Seoul, South Korea. Two additional concessions were opened in Japan, ahead of the licence expiry later in 2015.

## **Outlook**

*Retail:* In FY 2015, net new space is now expected to contribute about 5% to total retail revenue growth.

*Wholesale:* Excluding Beauty, we still 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 wholesale customers selling to the European consumer and in Asian travel retail markets. For Beauty, wholesale revenue is expected to grow by about 25% at constant exchange rates in FY 2015.

*Retail/wholesale profit:* In the first half, exchange rates significantly affected reported profit. If exchange rates\* remain at current levels, we still do not expect a material impact in the second half of FY 2015.

At the interim results in November, we said that we expected some downward pressure on the full year retail/wholesale margin, reflecting the negative impact of exchange rates, a more difficult external environment and continued investment in key initiatives to drive long-term profitable growth.

Since November, there has been a modest improvement from exchange rate movements, but this has been more than offset by, primarily, the slowdown in Hong Kong and the change in the regional sales mix.

*Licensing:* For FY 2015, we expect broadly unchanged revenue at constant exchange rates in both Japan and from 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 2 January 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 release its Second Half Trading Update for the six months to 31 March 2015 on 15 April 2015. It will announce its Preliminary Results for the twelve months to 31 March 2015 on 20 May 2015.

Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates, compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain. Certain financial data within this announcement have been rounded.

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 December 2014, Burberry globally had 217 retail stores, 222 concessions, 55 outlets and 68 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.