

12 July 2017

## **Burberry Group plc**

### **First Quarter Trading Update**

#### **Burberry announces 3% underlying retail revenue growth year-on-year**

#### **Highlights for the three months to 30 June 2017**

- Retail revenue £478m, up 3% underlying (up 13% at reported FX)
- Comparable sales up 4%
  - Strength in Mainland China drove improved, mid single-digit percentage growth in Asia Pacific
  - High single-digit percentage growth in EMEA, led by strength in the UK
  - Americas delivered a low single-digit percentage decline
- Beauty on track to transition to strategic partnership with Coty in October
- Operational and strategic progress
  - Product focus:
    - o Fashion and innovation led growth, leather goods up mid-teens percentage
    - o Further SKU reduction in May market, down over 10% year-on-year
    - o Gosha Rubchinskiy collaboration included new interpretations of iconic styles
  - Productive space:
    - o Mainline footfall remained challenging, offset by conversion up year-on-year
    - o Spend from returning top customers drove growth
  - E-commerce leadership:
    - o Direct-to-consumer continued its growth with mobile now 40% of the mix and China revenues more than doubled compared with prior year
    - o WeChat reach tripled through key influencer DK88 campaign
  - Operational excellence:
    - o On track to deliver cumulative cost savings of £50m in FY 2018
    - o Burberry Business Services on schedule to be operational from October
  - Inspired people:
    - o Continued to strengthen our leadership team
    - o Launch of ambitious new five-year responsibility agenda, Creating Tomorrow's Heritage, including establishment of Burberry Material Futures Research Group at the Royal College of Art

Marco Gobbetti, Chief Executive Officer, commented:

"I am delighted to have started as Burberry CEO. We are pleased with our performance in the first quarter, while mindful of the work still to do. This is a time of great change for Burberry and the wider luxury industry. I look forward to building on the foundations Christopher and the team have put in place and creating new energy to drive growth."

## Retail revenue

Retail sales increased 3% underlying (up 13% at reported FX), with comparable sales up 4%. Timing of store footprint changes in the quarter resulted in lower average space year-on-year, reducing revenue by 1%.

Comparable sales by region:

- Mid single-digit percentage growth in Asia Pacific
  - Mainland China delivered mid-teens percentage growth and Hong Kong continued to improve
  - Korea remained challenging impacted by the macro environment
- High single-digit percentage growth in EMEIA
  - Continued strength in the UK, with a deceleration towards the end of the quarter
  - Weakness in some areas of Continental Europe such as Italy
  - The Middle East remained challenging, impacted by the macro environment
- Low single-digit percentage decline in the Americas
  - Conversion in the US continued to improve partly benefiting from a successful BPC programme, this partially mitigated the negative footfall trends
  - The relative strength of the US dollar drove a strong increase in sales from US customers abroad, while demand at home reduced (both tourist and domestic)

Digital performance reflected strategic focus and investment

- Direct-to-consumer revenue continued its growth with mobile transactions now representing 40% of the mix and China revenues more than doubled compared with prior year
- Following its successful soft-launch in the UK last year, the customer App is now live in five markets

By product, innovation led growth in all categories with strong performance from tropical gabardine trench in outerwear and the DK88 in accessories. Expanded newness in outerwear, soft and bags to build from the second half of the year.

Completed remaining £50m of initial share buyback, £300m programme to be completed in FY 2018.

## Outlook

*Retail:* In FY 2018, Burberry will focus on productivity from its current store footprint therefore no material contribution from net new space is expected.

*Wholesale:* Burberry now expects total underlying wholesale revenue in the first half of FY 2018 to be broadly flat (H1 2017: £287m) reflecting little business disruption for Beauty. Excluding Beauty, underlying wholesale revenue in H1 2018 is still expected to be broadly unchanged year-on-year (H1 2017: £217m).

For the second half of FY 2018 Burberry currently expects underlying wholesale revenue, excluding Beauty, to be down due to brand control.

*Licensing:* Total underlying licensing revenue for FY 2018 is still expected to be up c.20% year-on-year including the impact of Beauty.

*FY 2018 adjusted PBT:* Guidance for FY 2018 adjusted PBT at constant exchange rates is maintained. At 30 June effective rates\*, the expected impact of year-on-year exchange rate movements on FY 2018 reported adjusted PBT is around £25m adverse compared to our previous guidance for £30m adverse at 28 April effective rates.

\* See Appendix

## 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 and presentation slides can be accessed live on the corporate website ([www.burberryplc.com](http://www.burberryplc.com)), with a replay available later. The AGM will be held on 13 July 2017. Burberry will announce its Interim Results for the six months to 30 September 2017 on 10 November 2017.

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. Comparable sales is the year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. 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 30 June 2017, Burberry globally had 205 retail stores, 197 concessions, 59 outlets and 48 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. Its ADR symbol is OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.

## Appendix

### Exchange rates

£1=	Forecast effective rates for FY 2018		Average exchange rates FY 2017
	30 June 2017	28 April 2017	
Euro	1.15	1.19	1.19
US Dollar	1.30	1.29	1.30
Chinese Yuan Renminbi	8.80	8.89	8.73
Hong Kong Dollar	10.12	10.02	10.11
Korean Won	1,482	1,458	1,487