

16 July 2019

Burberry Group plc First Quarter Trading Update

Positive response to new product

“This was a good quarter in our multi-year journey to transform Burberry. We increased the availability of products designed by Riccardo, while continuing to shift consumer perceptions of our brand and align our network to our new creative vision. The consumer response was very promising, delivering strong growth in our new collections. We are on track with our plans and we confirm our outlook for FY 2020.”

Marco Gobbetti, Chief Executive Officer

- Excellent consumer response to Riccardo Tisci’s product with new collections delivering strong double-digit percentage growth compared to prior year equivalent collections, in line with our expectations.
- The proportion of new product increased to around 50% of our offer in mainline stores by the end of the quarter
- Continued to build brand heat and shift consumer perceptions with improved social media traction, press coverage and organic endorsement from influencers
- Accelerated distribution transformation with 23 stores now aligned to new creative vision

Retail revenue 13 weeks ended 29 June

£ million	2019	2018	Reported FX	% change	CER*
Retail revenue	498	479	4		2
Comparable store sales**	4%	3%			

*IFRS 15 impact +0.3%, Space -1.5%. For more detail see page 3 **See page 3 for definition

- Comparable store sales +4% with growth led by new product
 - Asia Pacific grew by a high single-digit percentage driven by Mainland China up mid-teens
 - EMEIA grew by a low-single digit percentage supported by tourist spend, which particularly benefited the UK
 - Americas was flat, the US grew by a low-single digit percentage but Canada was negatively impacted by a later markdown period
- Men’s and women’s apparel grew by a double-digit percentage
- Accessories declined with the benefit from new styles more than offset by the softer performance of lines from previous collections
- Space -2% including the planned non-strategic store rationalisation programme

Outlook FY 2020

- We maintain FY 2020 guidance of broadly stable top line and operating margin at CER
- As previously announced, we anticipate a more pronounced weighting of operating profit in H2 relative to H1 in FY 2020 than in the prior year

The financial information contained herein is unaudited

Business review

FY 2020 is the second year of our multi-year plan to transform Burberry. Our focus in this first phase is on investing to re-energise our brand and aligning distribution to our new positioning, while creating the foundations of a new product offering. Against this backdrop, we made good progress in the quarter as we increased the availability of products designed by Riccardo Tisci and continued to evolve our retail and wholesale network.

This was the first quarter where the proportion of new product in our stores was meaningful and the response from consumers was very promising. New collections delivered strong double-digit percentage growth, with all regions ahead of prior year equivalent collections. Consumers responded positively to the new aesthetic and house codes.

The response to the new product was also strong in wholesale, where many of our luxury doors saw significantly higher sell through compared to previous collections.

We also continued to drive brand heat and shift consumer perceptions. We surprised and excited consumers with our monthly B-Series drops and product capsules. To celebrate our monogram capsule, we launched a significant programme of high-profile activations across retail and wholesale, which generated total reach of 120 million consumers globally.

More widely, on social media our traction across Instagram and WeChat continued to improve, with growth in the number of followers and double-digit gains in the engagement rate per post compared to the previous quarter. In addition, key influencers continued to organically endorse Burberry product and editorial press coverage remained strong.

In distribution, as planned, we accelerated our alignment programme. In retail, 23 stores incorporated our new creative vision by the end of the quarter and a cumulative nine of the 38 smaller, non-strategic stores previously announced for rationalisation have now been closed. Meanwhile, in wholesale, we continued to rationalise space in non-luxury US doors.

Finally, we continued to innovate with sustainable raw materials, introducing ECONYL, a yarn created from nylon waste in landfill and ocean plastics into men's and women's outerwear. ECONYL can also be recycled and recreated into new products.

Financial performance and outlook*

In June, the proportion of new product was around 50% of the mainline offer compared to 10-15% in March. This underpinned the improvement in comparable store sales growth to +4%.

We maintain our FY 2020 guidance for broadly stable revenue and adjusted operating margin at CER including cumulative cost savings of £120m.

In terms of comparable store sales growth, mainline is expected to accelerate as the new product builds through the year. However, we anticipate this will be partially offset in the second half of the year by reduced markdown inventory compared to the prior year.

As we announced at year end, we anticipate a more pronounced weighting of adjusted operating profit in H2 relative to H1 than in the prior year, largely due to a strong H1 comparator in the prior year.

*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation. It excludes the impact of the adoption of IFRS 16 and the UK's possible withdrawal from the EU without an agreement. In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry's business. We continue to prepare mitigating actions to limit the operational and financial impact in the short term.

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 dial-in number is +44 (0)20 3059 5868 and please state that you wish to join the “First Quarter Trading Update”. The conference call can be accessed live on the Burberry corporate website (www.burberryplc.com), with a replay available later in the day.
- The AGM will be held on 17 July 2019
- The Interim Results for the 26 weeks to 28 September 2019 will be announced on 14 November 2019

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 distinctly British attitude.
- At 29 June 2019, globally Burberry had 230 retail stores, 147 concessions, 51 outlets and 44 franchise stores, excluding the impact of pop up stores.
- Burberry 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, the Burberry Check and the Thomas Burberry Monogram and Print are trademarks belonging to Burberry.

Constant exchange rates (CER) 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 store 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.

Cumulative cost savings are savings compared to FY 2016 operating expenses.

Burberry adopted IFRS 15 relating to revenue from contracts with customers from 1 April 2018. To aid with comparability, we have separately identified the impact of the revenue difference arising from its adoption.

Appendix

At 28 June 2019 effective rates, the expected benefit of year-on-year exchange rate movements on FY 2020 reported adjusted operating profit is c£15m and revenues is c£45m. This compares to guidance given in May for a £7m headwind to adjusted operating profit.

Exchange rates	Forecast effective rates for		Actual average exchange rates
	FY 2020		
£1=	28 June 2019	30 April 2019	FY 2019
Euro	1.12	1.16	1.13
US Dollar	1.27	1.30	1.31
Chinese Yuan Renminbi	8.73	8.78	8.82
Hong Kong Dollar	9.93	10.23	10.26
Korean Won	1,473	1,520	1,460

