

19 January 2022

## Burberry Group plc Third Quarter Trading Update

### Momentum builds

*“Full-price sales continued to grow at a double-digit percentage compared with two years ago, accelerating from the previous quarter and reflecting a higher quality business. Our focus categories outerwear and leather goods performed strongly as we continued to attract new, younger consumers to the brand. Despite the ongoing challenges of the external environment, we are confident of finishing the year strongly and providing an excellent platform on which to build when our new CEO Jonathan Akeroyd joins in April.”* Gerry Murphy, Chair

- Strong underlying revenue performance in the third quarter, building on the progress made in H1:
  - Acceleration in full-price comparable store sales up 26% vs LLY\*\* (Q2 FY22 +10%), driven by ongoing strength in the Americas and a material improvement in Asia Pacific and EMEA
  - Comparable store sales down 3% vs LLY (Q2 FY22 flat) on planned exit of markdown
- Quarter achieved highest level of earned reach to date on Instagram driven by brand activations including pop-up on Jeju Island coupled with strong momentum on TikTok
- Strengthened our position with new consumers driving double-digit full-price sales growth vs LLY across all product categories
- Ongoing full-price strength on digital channels with sales up high double-digits vs LLY
- New store concept transforming how our customers experience our brand and product with 31 stores in the new design including flagship Plaza 66, Shanghai
- Continued to embed ESG across the business; announced refinancing of Revolving Credit Facility to £300m Sustainability Linked Loan with funding linked to our industry-leading ambition to be Climate Positive by 2040
- £150m share buyback well advanced and on course for completion before year end

### Retail revenue 13 weeks ended 25 December

£ million	25 Dec	26 Dec	% change	
	2021	2020	Reported FX	CER
Retail revenue	723	688	5%	8%
Comparable store sales*	+7% (-3% vs LLY)	-9%		
Full-price comparable store sales**	+15% (+26% vs LLY)	n/a		

\*See page 4 for definition, \*\*LLY is compared with Q3 FY20

### Outlook

Assuming no further changes in the external environment, we expect current year adjusted operating profit to grow in the region of 35% at CER\*\*\* compared with the prior year. In addition, the currency headwind is now expected to be £79m (from c.£100m) on revenue and £27m (from c.£40m) on adjusted operating profit. We maintain our medium-term guidance for high single-digit top line growth and meaningful margin accretion at CER\*\*\*\*.

\*\*\*including the impact of the 53<sup>rd</sup> week \*\*\*\*See Appendix

The financial information contained herein is unaudited

## Business review

Against an ongoing challenging backdrop, full-price sales accelerated significantly in the third quarter, increasing 26% vs LLY on a comparable basis. Total comparable store sales fell 3% vs LLY impacted by our planned exit of markdown across mainline and digital as we enhanced the quality of our revenues.

We continued to strengthen our position with new, younger consumers, with new customers driving double-digit full-price sales growth across all product categories. Regionally, full-price comparable store sales were driven by continued strong performance in the Americas, a material sequential improvement in Asia Pacific as COVID-19 restrictions eased and improving trends in EMEIA despite an ongoing lack of tourism.

In terms of **brand activity**, we continued to drive engagement with consumers through distinctive and meaningful storytelling and experiences. In the quarter, we launched our first dedicated outerwear campaign celebrating our iconic outerwear offer with an inspirational brand film unlocking the themes of freedom and exploration, which achieved record views across digital media, and launched activations across physical and digital channels. We engaged with customers through innovative, luxury experiences including large-scale, immersive brand activations at Plaza 66, Shanghai and the biggest of its kind for Burberry in South Korea on Jeju Island. This was amplified globally through 24 pop-ins and 10 pop-ups, as well as throughout key social media including our first branded TikTok sky filter and achieving our highest level of earned reach to date on Instagram.

**In product**, we made further progress in our focus categories outerwear and leather goods. Full-price outerwear sales grew 38% vs LLY supported by the campaign and new elevated check range in Birch Brown colourway. Leather goods also strengthened over the prior period, with full-price sales up 29% vs LLY as we extended the Lola family with the introduction of the crossbody, tote and SLG versions as part of our Winter collection. As we enter our final quarter of FY22 we are excited about the recent launch of our Lunar New Year campaign celebrating the year of the Tiger with a bespoke product capsule and dedicated fashion campaign.

At the same time, we continue to elevate the customer experience with the roll out of our **new store concept**. In total, we now have 31 stores in the new design including our second flagship Plaza 66, Shanghai, and we remain on track to deliver around 50 new concept stores by the end of the financial year. The new store concept is transforming how our customers experience our brand and product and is supporting revenue growth.

**Digital innovation** remains a key driver of growth for the business with digital full-price sales up high double digits vs LLY. We are seeing strong and increasing engagement with customers globally buying online as an outcome of enhancements we have made to the online purchase journey including greater personalisation. We are also seeing strong adoption by customers of omnichannel solutions, including booking store appointments, which we are expanding across more stores and countries. We created an immersive travelling trench experience inspired by the Trench Room in our social retail store in Shenzhen and brought it to stores across Mainland China where it generated strong engagement, traffic and sales. Building on our partnerships with digital innovators, as part of our outerwear activation on Jeju Island in South Korea, we designed an immersive experience, including Augmented Reality technology that was powered by TikTok and supported strong engagement with our customers.

We continue to embed **ESG** across our operations and remain on track to complete our 2017-2022 Responsibility goals this year. We announced the refinancing of our Revolving Credit Facility to a £300m Sustainability Linked Loan with funding linked to the achievement of key ESG targets as part of our ambition to become Climate Positive by 2040. This

includes accelerating emissions reductions across our extended supply chain (Scope 3) by 46% by 2030 and becoming net-zero by 2040, 10 years ahead of the 1.5°C pathway set out in the Paris Agreement. It also involves investing in nature-based projects with carbon benefits that restore and protect natural ecosystems and enhance the livelihoods of global communities.

We continued our support for young people, extending our partnership with international footballer and youth advocate Marcus Rashford MBE to help disadvantaged children in the UK develop their literacy skills. We also provided funding for new libraries and books in underserved communities in the U.S., Japan and Hong Kong S.A.R., China.

We continue to deliver on our Global D&I Strategy, including launching 'Demonstrating Allyship' workshops which will be rolled-out to all colleagues globally over the next 12 months. On World Mental Health Day we also launched a new Global Bereavement Policy, leaders' guide and colleague support site, which includes paid time off for all colleagues who suffer a bereavement, including pregnancy loss.

We celebrated our first year of working with The Valuable 500 and Business Disability Forum on International Day of Persons with Disabilities. As part of our commitment to building a more inclusive future, we are working to improve accessibility across our stores, manufacturing sites and offices.

## Financial performance

	FY22 vs LY				FY22 vs LLY			
	Q1	Q2	H1	Q3	Q1	Q2	H1	Q3
Comparable store sales growth	90%	6%	37%	7%	1%	flat	1%	-3%
Comparable full-price sales growth	121%	10%	49%	15%	26%	10%	18%	26%

Our underlying performance was strong with full-price comparable store sales up 26% vs LLY (+15% vs LY) accelerating materially from the previous quarter (Q2 full-price +10% vs LLY). Total comparable store sales declined 3% vs LLY (+7% vs LY) in the quarter with the strong full-price growth offset by a low double-digit (mid-single digit vs LY) headwind from the planned exit markdown and reduced trade in outlets.

Space growth contributed 1% to retail sales in the quarter vs LY while FX was a 3% headwind. In total reported retail sales grew 5% YoY.

FY22 vs LLY	Comparable store sales growth				Comparable full-price sales growth			
	Q1	Q2	H1	Q3	Q1	Q2	H1	Q3
<b>Group</b>	<b>1%</b>	<b>flat</b>	<b>1%</b>	<b>-3%</b>	<b>26%</b>	<b>10%</b>	<b>18%</b>	<b>26%</b>
Asia Pacific	7%	3%	5%	flat	23%	5%	14%	22%
EMEIA	-38%	-25%	-31%	-17%	-33%	-27%	-30%	-4%
Americas	34%	42%	38%	8%	114%	81%	98%	72%

**Asia Pacific** comparable store sales were flat vs LLY with full-price comparable store sales materially accelerating from Q2:

- Mainland China comparable store sales grew 15% with full-price comparable store sales up 37% vs LLY, an improvement over the prior quarter due to reduced COVID-19 disruption.

- South Korea outperformed with comparable store sales up 28% vs LLY with continued strength in full-price comparable store sales, 62% ahead of pre pandemic levels.
- Japan and South Asia Pacific improved quarter on quarter as COVID-19 related restrictions eased however performance remains soft due to limited tourist traffic.

**EMEA** improved significantly quarter on quarter with comparable store sales down 17% vs LLY and full-price comparable store sales falling only 4%. We are very encouraged by the performance given the ongoing drag from the lack of tourists, which accounted for around 40% of pre-pandemic revenues in the region.

**Americas** saw continued strong performance in full-price comparable store sales up 72% vs LLY driven by new customers. Comparable store sales grew 8% vs LLY with the region being most impacted in the quarter by the exit of markdown.

#### 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 in the day.
- Burberry will announce its Preliminary results for the 53 weeks ending 2 April 2022 on 18 May 2022

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 25 December 2021, globally Burberry had 218 retail stores, 150 concessions, 58 outlets and 39 franchise stores, excluding 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. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak.

Full price sales is sales from items sold at full retail price in our own mainline retail and online network. We have described the change in full price sales based on the year-on-year change and measured at constant foreign exchange rates.

Markdown sales is from items that are sold at a discount to the full retail price in our own mainline retail and online network.

Certain financial data within this announcement have been rounded.

## APPENDIX

### Detailed guidance for FY22\*

Item	Financial impact
Markdown policy	As guided, we have exited markdowns in digital and mainline stores in FY22, leading to a mid-single digit headwind against our comparable store sales in FY22 vs LY and high single digit % v LLY
Wholesale	Full year wholesale is expected to be up high 30s% at CER (mid 30s% previously)
Impact of retail space on revenues	For the FY, space is expected to contribute low single digit percentage with H2 also up low single digit percentage on a 52 week basis
Gross margin	To remain stable at 70% YoY at CER
Tax	We expect the adjusted tax rate to be around 22%
Capex	Capex is expected to be in the region of £150m (£160m previously) including the cost of around 50 stores being opened/refurbished in the new concept
Currency	At 24 December spot rates, the impact of year-on-year exchange rate movements is expected to be a £79m headwind on revenue and £27m headwind on adjusted operating profit
Calendar	Please note that FY22 is a 53 week calendar year with an extra week in Q4.

\*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation

Exchange rates £1=	Forecast effective rates for FY22		Actual average exchange rates FY21
	24 December 2021	29 October 2021	
Euro	1.17	1.17	1.12
US Dollar	1.36	1.38	1.30
Chinese Yuan	8.74	8.88	8.85
Hong Kong Dollar	10.62	10.75	10.08
Korean Won	1,589	1,602	1,514