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Burberry Group plc

Q3 FY24 Trading Update

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Kate Ferry, Chief Financial Officer

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Good morning, thank you for joining us this morning at short notice. I am Kate Ferry, Burberry CFO and I am joined by CEO, Jonathan Akeroyd and Head of IR, Julian Easthope. As you will have seen we published a trading update this morning covering Q3 trading and updating our full year outlook.

In the third quarter, comparable store sales declined 4%, broadly in line with consensus at -3%. The result reflects the slowdown in global luxury demand, which has impacted our trading since September, making the transition more challenging. Outside of Mainland China, trading in most regions further decelerated in December.

By region, Asia Pacific delivered 3% comparable store sales growth with Mainland China growing 8%, supported by Japan up 9% and South Asia Pacific up 2%. South Korea softened a little from the second quarter with comparable store sales down 10% in the quarter.

Mainland China was down 16% over two years, although we saw the Mainland Chinese customer group globally up 2% over the same period as Chinese travel resumed.

EMEIA saw a 5% decline in comparable store sales in the quarter. While tourists increased a high-single digit percentage in the period, this was more than offset by locals declining low-double digits. Tourists accounted for around 45% sales in line with pre-pandemic levels with Chinese customer more than trebling to 8% of the mix – albeit this is still well below pre-pandemic levels.

Americas continued to see weak trading with comparable store sales down 15% in the quarter.

Turning to the breakdown of retail sales. Total retail sales declined 2% at constant exchange rates in the quarter with the 4% decline in comparable store sales partially offset by a 2% contribution from space. At reported rates, retail revenue was £706m, down 7% with a 5% currency headwind.

Moving onto the full year outlook. When we last updated you with our Interim results, we had experienced a slowing macroeconomic environment from September. Since then, the operating environment has become more challenging, and we experienced a further deceleration in our key month of December.

As a result, we now expect our full year adjusted operating profit to be in the range of £410m to £460m, below previous guidance.

As regards to other guidance for FY24, there are no changes to retail space being broadly flat and we continue to invest around £200m in capex, with over 50% of our network refurbished by the year end.

In terms of currency impact, based on foreign exchange rates effective as of 29 December, we expect a currency headwind of around £120m to revenue, and around £60m to adjusted operating profit. We previously guided to a headwind of around £110m to revenue and around £60m to profit.

We now expect wholesale revenue to be down a high-single digit percentage, previously mid-single digit, and the effective tax rate is now expected to be around 29%, previously around 27%.

Finally, turning to cash. As you know, we have a clear capital allocation framework at Burberry, which ensures we maintain a strong balance sheet, whilst continuing to make the investments the business requires. We continue to expect a high level of cash conversion, however given the slowdown in trading, we are likely to be slightly ahead of our target leverage range of 0.5x to 1.0x net debt to adjusted EBITDA at the year end.
So in summary, we are still in the early stages of bringing to life our new creative vision.

The external environment has become more difficult – luxury demand has slowed in recent months – and this brings additional challenges when going through change.

However, we have seen the positive impact of important operational and product changes and remain confident in our strategy to realise our potential as the modern British luxury brand.

The more challenging macro-economic environment means that our journey may take longer than previously expected, but we are committed to achieving our £4bn revenue ambition over the medium-term.

Thank you again for joining us.