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Burberry Group plc

Preliminary Results FY24 Presentation

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Burberry

Jonathan Akeroyd, Chief Executive Officer

Julian Easthope, VP, Investor Relations

Questions From

Grace Smalley, Morgan Stanley

Ashley Wallace, Bank of America

Chiara Battistini, JP Morgan

Thomas Chauvet, Citi

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Carole Madjo, Barclays

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Luca Solca, Bernstein

Jonathan Akeroyd, Chief Executive Officer

Good morning everyone and thank you for joining us today for Burberry's preliminary full year results presentation.

I am Jonathan Akeroyd and with me is Julian Easthope, Head of Investor Relations. As you know, Kate Ferry is not present today as she is recovering from an unscheduled surgery but I'm pleased to report she is doing well and we look forward to welcoming her back next month.

In terms of the agenda for today we will start with Julian presenting our results for the 12 months through March 2024. Then, I will speak about the business, our progress against our strategy and where we see opportunities in the year ahead. And then, we will open the floor to questions.

Eighteen months ago, we set out our strategy to realise Burberry's potential as the modern British luxury brand with an ambition to grow annual revenue to £4bn. Executing our plan has been challenging against a backdrop of slowing luxury demand and our FY24 financial results underperformed our original expectations. We have made good progress refocusing our brand image evolving our product in line with our new creative vision and strengthening distribution while delivering operational improvements.

We have learned a lot about ourselves and how customers are responding to our new creative expression. We are using what we have learned over the past year to finetune our approach, while adapting to the external environment. We are confident in our strategy and in our ability to navigate this period. We are clear about our priorities, and we are focused on execution.

With that, I'll hand over to Julian.

Julian Easthope, VP, Investor Relations

Thank you, Jonathan, and good morning everyone.

For the financial year ended 30 March 2024, our underlying performance of total revenue was in line with last year, although an FX headwind led to a 4% decline at reported rates.
Retail comparable store sales fell 1% in the year. At constant exchange rates, we saw a 170bps reduction in gross margin, with opex rising 7%, leading to adjusted operating profit landing at £418m, within the guidance range provided at the Q3 trading update. This was 25% below last year and 34% below at reported rates. This led to Adjusted Earnings Per Share falling 30% at constant rates and 40% reported. As part of our capital allocation framework, we have maintained the full year dividend at a proposed level of 61.0p per share.

I will now take you through a more detailed review of performance, starting with revenue by channel. Comparable store sales decreased 1% with a strong 10% first half growth more than offset by an 8% second half decline. Space increased 2%, leading to total retail revenue growth of 1% at constant exchange rates. Wholesale revenue decreased 5% due to pressure in the US although was slightly better than our guidance of a high single digit decline. Licensing continued to perform well rising 23%, supported by the highly successful launch of our latest fragrance, Burberry Goddess. Total revenue was flat at constant exchange rates but fell -4% on a reported basis following a £125m FX headwind.

In terms of our comparable store sales performance by region EMEIA grew 4% in the year with strong 14% growth in the first half partially offset by a 4% second half decline. Growth was supported by tourism up 24% on an annual basis and accounting for just under 50% of the regional sales. Comparable store sales declined 3% in Q4, a slight improvement from Q3 although spending by locals remained subdued, down a low double-digit percentage in line with the last quarter.

Americas underperformed, falling 12% in the year, with Q4 also decreasing at the same level where we are continuing to see a relatively broad-based decline.

Asia Pacific grew 3% in the year, led by a stand-out performance in Japan up 25%. South Asia Pacific was up 4%. Both were supported by strong inbound tourism trends. South Korea softened, down 8% in the year but remains up over 35% compared with pre-pandemic levels. In Q4, Japan grew 18% while South Asia Pacific was down 24% and South Korea fell 17%.

Mainland China was down 19% in Q4 with customers from the region down 12% globally. Travel continues to be dominated by tourism within Asia Pacific with EMEIA seeing around 30% of Mainland Chinese tourist spend, Japan just under a quarter with the balance mainly in Hong Kong and Macau.

By product, luxury customers continued to gravitate towards categories that we are known for: We saw a very strong performance from outerwear, up a high single-digit percentage in the year, led by Heritage rainwear. Outperformance continued in Q4 despite a very tough rainwear comp following the successful campaign that took place in February last year. Scarves were up a double-digit percentage in both the year and fourth quarter. Leather goods performed broadly in line with the group average in both the year and the fourth quarter. Ready-to-wear for both men's and women's declined by a mid single digit percentage in the year, with Q4 softer than the group average. Shoes underperformed the group as we transition this category to a new broader offer that reflects our new aesthetic.

Turning now to the profit bridge. Adjusted operating profit was down 25% at constant rates to £478m and down 34% at reported rates. The gross margin was 67.7%, down 280bp at reported rates and 170bp at constant rates. This was driven by two main factors. Firstly, as we started to elevate our offer with the launch of our new aesthetic, we experienced higher product development and design costs versus last year, that we did not fully offset by pricing and; Secondly, stock provisions were also a headwind of around 100bp given we planned inventory at a higher sales level before the downturn in September. The remaining movements related to regional and channel mix effects as well as a benefit from transportation costs that broadly netted off. Net operating expenses increased by 7% at constant rates due to investments in the business in marketing and stores, as well as the impact of inflation on people costs. Currency was a headwind of £60m, bringing the reported adjusted operating margin to 14.1%.

Looking further down the income statement there were no adjusting items in the year, compared with a £23m credit in the prior year The net finance charge landed at £35m,primarily due to a £12m increase in IFRS 16 interest on lease liabilities and £11m of non-cash finance expenses. The effective tax rate was 29.2% broadly in line with guidance and we saw a 6% reduction in the weighted average number of shares in issue. At the end of March we had 357m basic shares in issue that should be used as the basis for the EPS calculation in fiscal 25.

Turning to the cash flow statement. Free cash was a net inflow of £63m with conversion of 53%, below last year due to lower profitability, higher working capital outflows and investment in the store network. Cash generated from operating activities decreased from £912m to £665m. Working capital was an outflow of £166m, that was mainly impacted by the build-up of inventory. Capital expenditure was £208m and Tax was a £139m outflow, £1m less than the prior year with the lower profitability broadly offset by the higher UK corporation tax rate.

Moving on to our net cash bridge and capital allocation. We started the year with net cash of £961m and generated £271m before investment. We invested £862m in the four pillars of our capital allocation policy as follows. Capex was £208m, a little ahead of guidance as we continued to prioritise store refurbishments that accounted for £126m of the spend. Dividends amounted to an outflow of £233m. We spent £19m on the acquisition of a product development business from longstanding technical outerwear partner, Pattern and we returned £400m via a share buyback which completed in the second half, along with £2m for stamp duty and fees. We closed the period with net cash of £362m and net debt of £1.1bn after £1.2bn of IFRS16 lease liabilities. The balance sheet remains robust with net debt to adjusted EBITDA at 1.4x, including lease debt. This is ahead of our target range of 0.5 to 1.0x, with the increase from last year due to the investment within our capital allocation policy, lower profitability and accompanying impact on cash flows.

We continue to be a cash generative business and are comfortable with this leverage position which is consistent with our policy to maintain an investment grade credit rating as we go through the creative transition.

Turning to outlook, in the context of a still uncertain external environment, we expect the first half to remain challenging. We expect to see the benefit of the actions we are taking from H2. We will continue to balance investment in consumer facing areas with disciplined cost control to support our growth ambition and have identified cost savings to enable us to offset the impact of inflation in the second half.

To help with modelling, in fiscal 25, we expect: retail space to be broadly stable first half wholesale to decline by around 25%. The effective tax rate to be between 27% and 28% and Capital expenditure to be around £150m. Finally, we expect currency to be a headwind based on 25 April rates, of around £30m on revenue and around £20m on adjusted operating profit.
Further detail can be found in the appendix to this morning's statement.

I will now hand back to Jonathan.

Jonathan Akeroyd, Chief Executive Officer

Thank you Julian

Our vision is about realising Burberry's potential as the modern British luxury brand. We have a clear strategy to achieve this across brand, product and distribution, supported by operational excellence, people and talent, and sustainability.

Over the past year, we have focused on executing our plan.

We have made good progress in all areas – our brand is more focused, our offer is more elevated and we have continued to strengthen our distribution, while delivering operational improvements. As I mentioned at the start of the call, we have learned a lot in the period about ourselves and how customers are responding to our new creative expression – and importantly where the opportunities are.

Now that we are live in terms of the execution, we are finetuning our approach with clear priorities for FY25 that I will take you through now.

Starting with brand and communications. We have begun to leverage our Britishness and reinterpret our heritage to give our storytelling a more contemporary, modern feel.
Our Winter 24 show in February this year is a good example of this. It told a cohesive story celebrating outerwear, supported by a stellar cast from Burberry's past, present and future; and was very well attended by some of the most exciting talent from the worlds of art, film, music and sport. Focusing on what makes us unique is helping to clarify what we stand for in the minds of luxury consumers.

At the same time, we have amplified our messaging and driven awareness and consideration through high visibility activations in key cities including New York, Shanghai, Seoul and London. Our recent takeover of Harrods in London for example generated impact and reach, showcasing our connection with the outdoors and creating a moment of exploration and adventure alongside another iconic British brand.

Brand clarity is improving quarter on quarter as we sharpen our storytelling and make it more distinct. Perceptions of our brand are also improving, especially among top luxury consumers and fashion insiders. And we're seeing double-digit increases in the number and spend from top clients, which is encouraging.

We continue to believe our British heritage is a position of strength and we are building on this. We are refining our storytelling so it incorporates more of the timeless, classic attributes that Burberry is known for, this will help us cut through to the wider luxury consumer and drive brand heat and traffic. We are also being much more product focused in our communications, shifting the emphasis to building desirability around our key categories now that we have introduced our new aesthetic.

Given the external environment, we are adjusting how and where we are investing.

This year, we are prioritising China and the US, whilst continuing to support visibility across all of our regions and leveraging VIP talent who can help us broaden our reach and influence. And we are placing a greater focus on customer recruitment and engagement.

Turning to produc, since Daniel's Winter 23 collection landed in stores in September, we have started to evolve our collections in line with our new creative vision. Our seasonal fashion offer is now more elevated and relevant – and this is resonating with our top tier clients

In parallel to our seasonal collections, we have begun to refresh our core offer.In March, we released Burberry Classics. With this collection, we have animated the Burberry Check in new colourways across an edit of essential wardrobe pieces that include items made with at least 50% organic or recycled materials. We are excited about the opportunity here. The new lichen colourway is performing particularly well – and we will build on the momentum we are seeing.

By starting with runway, our offer has been skewed towards seasonal fashion, which is at a higher price point. We now have a more balanced offer as we are developing our core collections – and this will drive volume, which is particularly important in the current market environment.
For a brand of our heritage and scale, category breadth is an opportunity, particularly in RTW. Providing our clients with a full range of wardrobe staples will be a focus for the year ahead.

In outerwear, we have a strong foundation in heritage rainwear that continues to attract customers to the brand. We have enhanced this with new shapes and fabrics; and we have introduced more diversity into our offer with coats and jackets. There is more we can do here, particularly in categories like downs and quilts where we are underpenetrated. In the year ahead, we will also incorporate more outerwear in our Burberry Classics offer. And we will ensure our outerwear offer is given the visibility it deserves in our campaigns.

In ready-to-wear, as I mentioned, our seasonal offer is much more elevated than before, particularly in women's. There is a stronger feminine aesthetic coming through.
We have begun to evolve our assortment and develop an offer across price points, including in jersey. We are building on this, particularly in Mens, and the rebalancing will be more evident in the coming months. We are focused on developing a more complete everyday assortment across ready to wear. And bringing more consistency to how we leverage our house codes.

Leather goods is an area where we have made the biggest step up in design and quality. Our assortment is much more elevated than before with new image-driving shapes such as the Knight and Rocking Horse, which complement our existing core offer. Building credibility in this space will take time. We are editing our offer to create a more focused assortment with clear signifiers to help build desirability and understanding. We will continue to invest in the category to ensure we have cohesion across price points, including expanding our small leather goods proposition.
And we will give women's bags greater visibility in our communications, starting with a dedicated campaign in the summer, which we will talk more about at Q1.

We continue to see an opportunity in shoes. We have started to establish a new broader offer that reflects our new aesthetic. We have strengthened our outdoor shoe category and begun to develop a new core feminine range of pumps, ballerinas and boots covering all functions. We have also introduced sneakers such as the Box and Bubble. The next step is to ensure we have a balanced assortment across our fashion and core commercial offers. We are refreshing our core and replenishment business, particularly in sneakers and slides. We are giving more visibility to boots, where I believe we have a significant opportunity given our heritage in nature and the outdoors.

Softs is an area of strength. We have a good core cashmere offer that continues to attract customers to the brand. We have reenergised the assortment with new colours and fabrics, while expanding our fashion offer. In the year ahead, we will expand the category through functions, for example introducing new variations on capes and headwear, and developing lighter options to cater for all climates. We will also ensure we have a balance of seasonal animations alongside our core collections.

In terms of distribution, from a retail perspective, we have a well-established network in high visibility locations. We have continued to strengthen this with the majority of our stores now new or refurbished, including most of our key doors - for example, our new store on Avenue Montaigne in Paris, and the newly refurbished store in Ocean Centre, Hong Kong. Our new and refurbished stores continue to perform ahead of comparable stores in terms of productivity and average transaction value.

In FY25, we will continue our refurbishment programme, with stores including 57th Street, New York, and Marina Bay Sands, Singapore.
To support conversion, we are making some adjustments to our visual merchandising in store. We are also investing in training and tools to strengthen how we connect with our customers and drive engagement.

In e-commerce we have begun to elevate the shopping experience on Burberry.com, while continuing to have a presence on third-party sites during high visibility events such as Tmall's Super Fashion Week. The channel has been impacted by changes in consumer behaviour that have been widely reported. We continue to believe it's an important part of our omnichannel journey. To maximise the commercial opportunity, we are directing investment towards brand marketing to drive organic traffic growth. We are also adjusting the content and styling on Burberry.com. At the same time, we are enhancing our omnichannel capabilities, including investing in remote selling in Mainland China where we see a significant opportunity. We are also converting select partners to e-concessions.

The wholesale channel has been impacted by weakening consumer demand as well as changes we have been making to increase control of distribution.While I remain pleased with our presence in the Americas, we see further opportunities to elevate our positioning in EMEIA. We are continuing to rationalise the channel maintaining our presence with key luxury doors while converting select wholesale partners to retail concessions.

Our strategy is supported by operational excellence, people and talent, and sustainability. Over the past year, we have reconfigured our supply chain to deliver our new elevated offer.

As we have improved the design and quality of our collections, we have onboarded new suppliers. This has brought a level of disruption as we adjust our ways of working but we are addressing this and expect it to settle.

We have improved product availability across our core replenishment lines. And we have strengthened our internal manufacturing capabilities with the acquisition and integration of a product development business from our technical outerwear partner Pattern. In the year ahead, our focus is on reducing the time-to-market for our collections, in particular for strategic categories; prioritising cost discipline and efficiencies; and continuing to deliver process and technology improvements.

And from a sustainability point of view, we have continued to advance our agenda. We are making strong progress against our commitments across responsible sourcing, circular business models, net zero and inspiring young people. We are fully committed to building on our momentum in this area in FY25.

I would like to take this opportunity to thank our teams for their passion and commitment. A huge amount of work has gone into implementing our strategy over the past year. We have learned a lot – and we are using what we have learned to finetune our approach. The global slowdown in luxury demand presents additional challenges that we are adapting to. We expect the first half to remain challenging and the benefit of the actions we are taking to start coming through from H2. We are confident in our strategy and in our ability to successfully navigate this period. We are clear about our priorities for FY25 and we will continue focus on execution, while staying agile.

With that, I'll open the floor to questions

Questions and Answers

Moderator
Good morning, we will now be taking live virtual questions. If you would like to ask a question, please virtually raise your hand and ensure you have your full name and company clearly labelled for us to introduce you.

Our first question is from Grace Smalley of Morgan Stanley. Please unmute yourselves. Once ready, please go ahead.

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Grace Smalley, Morgan Stanley
Hi, good morning. Thank you very much for taking my question. My first one would just be on wholesale please. If you could just help us with how much of the front half, 25% decline in wholesale is being driven by the strategic pullbacks that you mentioned in terms of the pullback in Europe wholesale versus the underlying decline? And maybe just what is driving that strategic cleanup of Europe wholesale and why now?

And then I think last year, at this time last year for wholesale you were kind enough to give us the outlook also for full year, so you guided to full year flat with H1 download double digits. I appreciate you don't have the second half order books fully locked in yet, but any colour you could give us at this stage on how we could think about second half wholesale in particular assuming that you have a good line of sight in terms of the pressure that you're going to see from the quality of sales initiative?

And my second question would just be on gross margin please. I think there's a number of moving parts for your 2025 gross margin outlook including central headwinds from product investments in the front half. You still have FX headwinds potentially offset by some channel mix. So if you could just help us with how we should think about the gross margin in 2025 including both H1 and H2? And in particular how we should think about lapping the inventory provision that I believe you called out was 100 basis points constant currency headwind in 2024? Thank you very much.

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Jonathan Akeroyd, Chief Executive Officer
Thanks Grace. I'll take the wholesale question. I mean obviously as we mentioned we expect wholesale decline by 25% in our half one and there are really three main factors related to that. I mean clearly the macroenvironment is impacting this channel as well as our retail channel, so there is more of a cautious approach to the order book because of the external environment which I guess is to be expected. We're also working with our partners you know in light of that in terms of our forward booking to reduce the risk of overstocking.

We've also taken the decision to reduce our exposure particularly focusing on EMEIA. We did quite a good job in terms of rationalising our distribution in the US about three years ago now and we as we're - in line with our elevation strategy there is an opportunity to reduce some of our distribution in EMEIA and we're looking to do that. And I think this will really help our market positioning and our general elevation.

On a third point is we're also converting some of our wholesale clients on the digital side to e-concessions as well as some of our retail business in Americas to concession as well from wholesale to concession. So those are the main three reasons.

Concerning us as well as a brand I mean clearly, we are now in a new aesthetic and a new product environment in a challenging environment it often becomes a little bit more of a wait and see from our wholesale partners. So we've definitely seen that and that is something I would say that I'd call out as a fourth element.

However people are encouraged by what they're seeing, particularly as we're now into our third campaign in terms of our third campaign sharing with our wholesale clients. They're encouraged by the last collection that we had that was our show collection in February, pleased with that. And also very excited about the changes that we've done in terms of our core product. This has been really well received because it's completely been refreshed, reanimated, high level of quality and we've had some very positive feedback in relation to that.

Just on the margin side Julian, I don't know if you've got anything to start off with.

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Julian Easthope, VP, Investor Relations
Yeah, so from - the gross margin as you saw came in at just 67.7% last year down 170 basis points at constant rates. Now there were three or two main factors that were driving this.

The first is as we started to elevate the offer with the launch of the new aesthetic, we experienced higher product development and design costs against last year. So from a product cost standpoint we obviously had a new aesthetic, we had new suppliers, we changed quite a lot of the manufacturing to Europe and therefore there was an increasing cost that we didn't fully offset.

The second element was stock provisions, 100 basis points we mentioned on the call. Obviously, we ended up with a slightly more elevated inventory position at the year-end that we will have to work our way through. The rest of it through channel, regional and transportation more or less offset each other so there's nothing really to call out there.

As we come into the new year, we will still have some drag in the first half around product development and design costs. The other elements are some of them are sort of period end adjustments that we won't know until we get towards the end of the period.

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Jonathan Akeroyd, Chief Executive Officer

Obviously on that as well as we – sort of stated 18 months ago now we've refreshed pretty much all of our product categories which we're really pleased about. We're pleased about the speed at which we've done that.

This also means that some of the lines we're probably exiting faster than we used to in terms of our old core lines and core seasonal products as we look to rebuild our carryover products around that as well.

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Julian Easthope, VP, Investor Relations
Just one point of clarification on the FX gross margin is a 20 around a 25 to 30 basis points H1 headwind on FX and 30 basis points for the full year.

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Grace Smalley, Morgan Stanley
Okay, thank you very much both.

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Moderator
Our next question is from Ashley Wallace of Bank of America. Please unmute yourselves once ready please go ahead.

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Ashley Wallace, Bank of America
Hi thank you. Hi, thank you for the question. So three from my side. I was just wondering if you could talk a little bit about the cost saving plan. I think you said that you've identified cost savings to allow you to offset inflation in the second half of 2025. So can you first of all just like quantify how much is the savings. I guess we estimate that if in a normal year you're growing mid-single digit your cost base that that's going to be fully offset flat. But we're talking about something around £40m pounds in the second half and if first of all that's the correct number?

And then second is does that mean that it's £80m on an annualised basis or is it more short-term savings?

And then ultimately where are these savings coming from. Are you rationalising some of the stores or is it headcount. Can you just kind of talk to where exactly does that cost come from. And then are there any cash costs associated with cost saving plans?

And ultimately, I guess connected to this how do you plan to stem your market share losses when you're planning to invest incrementally less than peers, including the turnaround peers as you go into the to the back half of the year. So why are you not like reinvesting that back into your brands?

Then my second question is just around current trading. If you can give any comments around the same store sales growth trends as we enter the first quarter of '25. So are there any changes from a nationality or regional perspective or should we think about it being much the same as the fourth quarter?

And then my final question is just around the balance sheet net cash position of £23m which I believe is the lowest level of net cash that you've had since the GFC. So your leverage plan that you've got - or target that you stated is 0.5 to 1 times EBITDA and you're already kind of above that level in FY24 with an outlook which looks pretty tough from both a profitability perspective and a cash flow perspective.

So my question is really like should we be concerned around the balance sheet and how should we consider you kind of like rebuilding that cash position that investors have historically been used to at Burberry on a go forward basis?

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Jonathan Akeroyd, Chief Executive Officer
Yeah, I mean I'll start off with the cost and then Julian can also take part of that question and then I can come back to the current trading.

In terms of the costs, I mean we continue to clearly prioritise our investment on the consumer facing areas. There'll be no change there and this is an area we definitely want to ring fence and protect. And it's going to be important for us we're still at the early stages of our journey in communicating the new aesthetic and the new product that we have in our stores, so we'll protect that for sure and it's really important for us to do that.

We also as you know we have a very good discipline and focus on costs within the company, and I think we will continue to push on that.

You know I think at the moment we're looking at how we can adjust it and how we can really look at our focusing on prioritising on brand communication and spend particularly in the US and China. We feel that this will be an area of focus to us to have a little bit more investment than we had had last year.

We have identified cost savings that will enable us to offset the impact of inflation in the second half. Most of those areas are in procurement, travel and improving our operational efficiencies I would say are the main areas that we're focusing on.

In terms of the store network we're happy with the network that we have the number of stores that we have there's no intention to reduce that. As you know we're well into our refurbishment programme now, we're pleased with how that's progressing managed it at good speed. 50% of our network now is now refurbished and most of those are our keys to our key doors so this is really important. And we will continue to keep our overall cost base under review.

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Julian Easthope, VP, Investor Relations
Just to add a little bit on to that in terms of the second half we typically say that there is around a mid-single digit historically 3 to 4 some most recent years 4 to 5% inflation cross that's obviously only on the fixed elements because the variable element moves with revenue. So I think on that you can- you can have a reasonable understanding as to the level of costs.

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Jonathan Akeroyd, Chief Executive Officer
In terms of the outlook there's no significant changes, we expect half one as we said to be - to continue to be challenging I wouldn't say there's been any real shifts between the regions the trends are pretty similar to the trends that we're experiencing Q4.

The biggest call out for us - obviously we're doing this in the challenged - we're making all these changes in a challenging macroenvironment which makes it a little bit harder. The biggest call out for us is traffic in the stores. I visited last month I was in Hong Kong went into Shenzhen, been into the US and obviously Europe as well and footfall is the biggest issue. I don't think this is exclusive to us, there's clearly some traffic issues that I think as we go through this year obviously, we're working against some very tough comps both in Q4 and Q1 and traffic is a bit lighter. So it's conversion for us that's an area that we're focusing on.

But you know we expect to see this to level out as the year progresses. We also - all of the actions and all of the fine-tuning I would say that we're doing and now the newer product the new refreshed carryover product that we're having going through into our stores gives us a little bit more positivity as we go through into this calendar year.

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Julian Easthope, VP, Investor Relations
Should I take a capital allocation? Yeah so, the question is the £63m of net cash in the gearing level. We did end up the year with £63m of the net cash after the £400m share buyback. Our gearing level is 1.4 times which is a little above the end of the top end of the range, but the principle with which we set out is to maintain an credit grade - credit rating, sorry, an investment grade credit rating, with a solid balance sheet and we're still firmly within that target.

You know we are a cash generative business, and we would expect over time as the market conditions improved for us to be moved back within that range over time.

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Ashley Wallace, Bank of America
I guess actually for FY25 do you expect to remain in a net cash position, or will you ultimately also take debt if you need to as you move into next year?

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Julian Easthope, VP, Investor Relations
I think that would require a degree of giving a forecast so at this stage I'm not going to comment on that.

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Moderator
The next question is from Chiara Battistini of JP Morgan. Please unmute yourselves once ready please go ahead.

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Chiara Battistini, JP Morgan
Hello hi can you hear me?

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Jonathan Akeroyd, Chief Executive Officer
Yeah, hi Chiara.

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Chiara Battistini, JP Morgan
Hi, thank you very much for taking my questions and for the presentations. I had a couple of follow-up questions. And firstly actually I was wondering if you could give us a bit more detail of your performance in Europe among the tourists and especially thinking about the full price stores versus outlets. I was wondering if you could give us a bit more colour there.

Second question following up on your wholesale guidance and also I understand you don't want to give guidance on the second half, but thinking about the drivers you've mentioned regarding the actions you're taking and the what's causing the decline of 25% the conversions and also your proactive rationalisation I would guess should need to still annualise in the second half. So is there any reason why we should not be expecting another double-digit decline maybe not the same magnitude of decline but still a double-digit decline in the second half?

And following up to that also could you give us - or could you help us understanding what kind of positive impact to retail that we should expect given the conversions of the e-concessions and the concessions and the shop in shops in the US?

And finally sorry if I missed but just following up on Ashley's question on current trading if you would give us any colour - a bit of colour on exit rates from your Q4 and how April has shaped up so far please? Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Sure in terms of the tourist spends I mean our overall for FY24 our tourists our sales were really supported by tourist growth obviously in EMEIA, Japan and Korea. Globally spending by locals has declined across most regions except China which was up 2%.

So I think we would have expected a little bit more in EMEIA. The UK in particular our tourist spend continues to sort of be lagging behind pre-COVID levels and the Chinese spending in our stores in London for example is less than half of what it was pre-pandemic.

In Mainland China our customers - our business fell 12% in Q4 but the customer group outside of that fell 12% and this was driven by tourist growth up 50% over last year so tourist sales in China in the quarter were 24% of our sales.

On wholesale as I mentioned earlier there's really three drivers that are related to that so a lot of it is - some of that - part of it is tactical so we see an opportunity for us to reduce our wholesale exposure in the EMEIA. This is the main part of our forecast of the 25% growth we've already started to put that in place for our orders that have taken place at the beginning of this year. So this is why we've shared the wholesale decline of 25% coming from there.

The concession conversion is fairly small, so I don't think this is going to be quite relevant. But it's important for us and we believe that it will give us an opportunity to strengthen our retail business in our department stores one of the - particularly in America we've converted a handful of stores into concession there.

Also worth noting as you're aware some of our third-party e-commerce wholesale partners now - we're now seeing a reduced - considerably reduced order base coming from that side there.

And then going on to our current offer with our core wholesale accounts particularly where in the Americas in the department stores there we're seeing there is still a bit of a wait and see as the market is quite challenging and as we're coming to our new aesthetic. But generally speaking I think there's a lot more positivity people are appreciating what we're doing they're seeing that we're rebuilding our core offer in terms of our product.

We're coming up to our next wholesale campaign which I think is going to be really important on the back of the successful show that we had in February where there was a positive reaction. I think people really appreciated the fact that we'd strengthened our Outerwear offer there, positive about the changes that we've been making in our core product. And next month we'll launch our pre-collections, which again we've further developed our offer particularly along our core product and our core key wardrobing categories as well.

But you know as I said earlier the external environment is tough so it's difficult to give a forecast about how that will impact our second half wholesale orders. But we'll see how that pans out I think in a month's time.

In terms of just the exit rates our current trading we exited Q4 in line with the quarter and April does remain challenging as I think we touched on in the presentation.

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Julian Easthope, VP, Investor Relations
And it's just worth reminding you – sorry, it’s just worth reminding you in terms of Q1 that Q1 is by far the toughest comp of the year. We did an 18% comp last year on a 19% two-year stack and that comes down to around about 12% in Q2 and then turns negative from Q3 onwards. So it's worthwhile bearing in mind the - you know we are still comping quite tough comps in the first quarter.

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Chiara Battistini, JP Morgan
Thank you and sorry just to follow up on the European performance and the tourist the price of outlet versus full price stores any insight there?

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Jonathan Akeroyd, Chief Executive Officer
Yeah well, we don't break out the share of our outlet business. All I would say here is you know outlets are you know part of our product lifestyle strategy, it's a clearance channel for our seasonal product. You know as we're now moving into this transition from a new aesthetic and a new product, we're clearly also exiting some of our older lines there, so the outlet channel is an important channel to help and support that.

We expect our exposure in the outlet channel to fall over time as we also reduce the number of doors and also build out our full price offer.

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Chiara Battistini, JP Morgan
Great, thank you very much.

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Jonathan Akeroyd, Chief Executive Officer
Thank you.

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Moderator
Our next question is from Thomas Chauvet of Citi. Please unmute yourselves. Once ready please go ahead.

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Thomas Chauvet, Citi

Thank you. Hi Jonathan. Hi Julian. I have three questions please. The first one on the US and the American consumer, you said I think Jonathan in an interview this morning that the Americas decline was broader than aspirational clients. Are you suggesting that the upper income customers are now starting to be under similar sort of pressure than aspirational clients? Does that mean that the kind of higher ASP categories which did well last year like Outerwear or Handbags are now weaker at the start of Q1 in the US?

The second question on the return of the VAT refund scheme and the broader tourism questions in Europe. You said you're still lobbying for reinstating that scheme. Are you getting a sense of a change in government's position on that? And have you tried also to quantify how much points of growth in EMEIA you've lost last year as a result of tourists shopping more in Continental Europe than in London where obviously you've got a more bigger retail presence, more legitimacy I guess to sell your products than in Continental Europe?

And just finally on wholesale coming back to Chiara's questions. Could you try to simplify perhaps our understanding of the moving parts this year? So you had £500m of wholesale sales last year. Can you try to quantify - one, how much turnover of that £500m you want to eliminate permanently as part of the rationalisation? I understand that's mainly in Europe. And two - how much of that £500m are you planning to convert to retail to your concessions? You said it was quite limited. But if you could quantify that, it would be very useful. Thank you.

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Jonathan Akeroyd, Chief Executive Officer

Thanks, Thomas. In terms of the US, I mean I think for us it's disappointing, a little bit surprising also that we're now two years into having relatively disappointing sales in the US. And I think this has really been demonstrated by external credit card data as well in spend in luxury. We declined the year 12% in the year. Obviously, we've seen it in the pairs as well, so I don't think it's something that's exclusive to us.

I think in terms of us, it's definitely broader. Two years ago, it was clearly coming from the aspirational customer and aspirational product, low price point product. It does seem a little bit broader than that.

I think positively with us, we've seen a very strong engagement with our existing top tier customers and clients. They're embracing what we're doing.

We're also seeing a better shift on Accessories sales in Americas and a higher share of sales in the Americas on Accessories than we are versus some of the other regions, which I think is positive. Good response, good buying of the product there, which is good in terms of the newness that we've got in place. But it is certainly a little bit broader than how it was two years ago.

Obviously, the comps will get better. I think I called out earlier, we have refurbished last year 20 of our stores. Our network was in need of accelerating the refurbishment programme in the US as we focused previously on Asia. We've picked up that. We've had some good refurbishments coming through there. I think this sets us up nicely for the future months ahead. I think this is positive. We're putting in a lot of actions.

We're also making sure that we've got additional marketing spend pushed into the US as well as China as we go into next year.

And more importantly, our number one flagship in the US, 57th Street in New York, it's currently closed. We will reopen that with an exciting new concept in September as well there. I think this has given us an opportunity to really support our repositioning. And we've had some encouraging response to the product that we've now got into the network.

On the VAT point, we continue to engage with both sides of the house. The absence of the scheme in the UK reflects the underperformance in the UK versus Continental Europe. Our own data shows - clearly shows that London is losing out to Paris and Milan, and the gap is widening. The spend of our Chinese tourists in our stores is definitely less – it's half of what it was pre-pandemic. So I think this will hopefully give us opportunity in the tourist seasons to come. It has tripled in Paris, for example, but clearly the weight of our sales are stronger in the UK than they are in Paris.

Just on the wholesale side, as I mentioned earlier, the bulk of the changes that we're having at the moment will come from the repositioning of our European, I would say, reassessment of our partners in Europe. So I think the bulk of that will come there. I don't think we're going to quantify that at this stage. So this is the key element there, less so in terms of the conversion to concessions.

Then part, as I mentioned there, would be the transition that we're having and the customers now, understanding what we're doing more. And seeing as we're building into these new categories, refreshing our core offer there, we expect to see a high-level engagement in that, as we did see actually in February as well, and that will build in the seasons to come.

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Thomas Chauvet, Citi
Thank you.

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Moderator
Our next question is from Antoine Belge of BNP Paribas. Please unmute yourselves. Once ready, please go ahead.

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Antoine Belge, Exane BNP Paribas
Hi. Good morning, everyone. Three questions. So first of all, I'd like to come back to the 25% decline in wholesale. I mean, you were kind enough to give four bullets. I think the fourth one is a bit maybe not too encouraging, if there is a wait-and-see attitude. Especially, I think, the feedback from some of the – at least the first product from the new designer was that they were priced a bit high. So has there been any sort of change in the way you think about pricing the price architecture, and also maybe some of the price increase on the like-for-like products for the next you know season?

My second question is related to the operating profit for this year. I mean, you don't want to give guidance, but do you think that with the 25% decline in wholesale and the sort of difficult current trading that you've mentioned, that you can escape a 30% - 3-0 decline in operating profit in H1, and do you think that this could be recouped? So, basically, for the full year, can you escape operating profit going down this year?

And finally, you mentioned consumer-facing initiatives, etc, how much was the marketing-to-sales ratio in fiscal March '24, and would you expect the marketing budget in pounds to be increasing in fiscal March '25? Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Okay. Thanks, Antoine. I mean, I think on wholesale, I've mentioned the three areas where we're focusing on there. I don't think I'll go into that into too much detail, but again, just to repeat, it's a challenging market for our wholesale partners as well. I think this is really being called out.

As you know, I've been a buyer many years ago now, and typically, when - first of all, when the market's tough, you know you tend to really focus on where you are spending. When a brand is going through a challenge, there's a little bit more wait and see, and I think that's understandable. And typically, our wholesale partners will often build and build on momentum as they see newness and new aesthetics and new product coming through.

So there tends to be a bit of a lag. I would say it would typically be about three seasons. We're coming into our third season now. There's been a positive reaction to it. I do appreciate and recognise your callouts in terms of the feedback from our first collections. But again, really important to highlight here that this was a show collection. We needed to put down a marker. Launching a new designer during a show period, it's often a lot easier to do that with the pre-collection, with the more commercial collections that are coming through from the pre-collections and the show collections focusing more on runway. But we did launch with a show collection that was strong. But clearly, often, that comes with a higher price positioning as well. So there were some callouts there.

As we've now started to build our offer going forward, focusing on core, focusing on wardrobing product, focusing on our brand codes, we've really focused on our price positioning as well. We have clear price positioning guidelines in place that we work towards.

We've also upgraded quality. That has meant an improvement in quality, which we're really pleased about. This has been recognised by our clients, but also by our wholesale clients as well. It has meant a lift in AUR, but to be honest with you, it's been quite appreciated, and it's not been significant. So I think this is, in terms of our elevation strategy, this is kind of in line with what we expected. So we're really, really pleased about that.

So we expect it to evolve. We're confident about the plans and the range planning and the learnings that we've learned over the past 18 months since we've launched the collections, and more importantly, gone live in September. I'm really positive about the changes that we're now seeing in terms of a more balanced offer that is coming through into the stores.

And I genuinely believe that will help us not only have a more sustainable offer in terms of wholesale business, but a more elevated positioning as well.

And I don't know if you want to take the opex?

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Julian Easthope, VP, Investor Relations
Consensus, yeah. We're definitely not guiding today. And obviously it's a bit too early to say what's going to happen to consensus. Consensus, as it stands, has a very wide range at the moment between, I think, from £300m all the way up to £460m. So that's a fairly wide range.

I think what you need to take into account and reflect is obviously the comments we made around the difficult first half against tough comps and the wholesale guidance. The second half is obviously it's very early to call, and it's really down to the analysts as to how you believe that the progress we are making with the brand will be reflected against easier comps, the opex guidance that we've provided. So I'd say it's too early to say, but we'll leave it to you, Antoine.

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Moderator
Our next question is from Louise Singlehurst of Goldman Sachs. Please unmute yourselves, and once ready, please go ahead.

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Louise Singlehurst, Goldman Sachs
There we go. Morning, everyone. Thank you for taking my questions and the details so far to Jonathan and Julian, and please, our very best wishes to Kate.

Just two questions from me quickly, just really as a follow-up on that margin question. And I realise we're asking the impossible in terms of the forecast or the outlook. But just to put it in another way, if we think about where the business is today and what you currently know in terms of the budgeting and the inflationary outlook, I mean, what do you need in the business or what growth do you need to maintain a flat margin for 2025, if we put it that way? There's obviously been a lot of deleverage across the business since January, so it would be just helpful to try and put that in everyone's mind.

And then secondly, it'd be interesting to hear about the feedback on the store refurbishments. Obviously, you're halfway through so excellent progress, but I think, Jonathan, given your feedback and your background in merchandising, sales, etc, it'd be great to hear from your perspective, do you think you have the right or the optimal format today to drive the sales densities higher? What's working, what's not working? Do you think we will see any changes going forward on that store refurbishment basis? Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Thanks, Louise. So I'll let Julian take the margin question, I'll come back to the stores.

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Julian Easthope, VP, Investor Relations
Yeah, so as you know, we've always talked about having a sort of mid-single digit sort of, well, depending on which year, between 3 and 5% increase in opex as our underlying inflation rate. We worked well on that in the second half of last year, but this is, don't forget, just on the fixed element of the cost base. And that will move its way into the first half, but we've obviously got the guidance out today that suggests that we'll offset inflation in the second half. So therefore, you need revenue broadly in line with opex.

The only other thing to take into account is a view on the gross margin, which I think we've already talked about this morning.

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Jonathan Akeroyd, Chief Executive Officer
Yeah, in terms of the store refurbishment, we're very happy with how it's gone and how the concept has evolved. I'm really pleased about the pace at which we've moved in terms of the refurbishments. I'm sure you've noticed as well; we have evolved the concept. So from the learnings that we've had, we've adapted it slightly. We've made it a little bit softer. We've also had some input from Daniel, who also has a very good eye in terms of, I would say, making stores feel a little bit warmer, showcasing products a little bit more. So really pleased with how that's developing.

Our stores, we now have over half of them refurbished. The performance versus the older stores, there's definitely an uplift, which we're really encouraged about.

In terms of learnings, I mean clearly, I think one of the bigger learnings is for us, as we have a clear plan to accelerate the growth in our Accessories categories, as with many stores, the presence of accessories in the stores is often as you lead into the stores and as you're on the ground floors, particularly where our stores have more than one floor. And this is something that I think we've really need.

We've been adjusting and pulling a little bit more ready-to-wear animation into the ground floor to really showcase the great heritage product that we have here. So we've been a little bit more dynamic, I would say, in our visual merchandising there.

We've also really worked on our visual merchandising. As we're now, I think one of the callouts when we did shift into the changeover in September, there was a call-out that people could see, as you would expect, a little bit of a contrast between old and new. And this is obviously as we progress month on month, this is now becoming less of a call-out, which is good. But there's also, as we've now reintroduced our new core, we've been able to integrate our old core into that, and that's proving to be quite positive.

I'd say we're playing to our strengths here. We've seen a higher level of cross-selling, which is really important. I think the stores now, there's a lot more animation to them. And I think this encourages people to shop across categories.

So I think this will help us in terms of, as we look into developing a stronger business in our Accessories categories, this is certainly - early indications are this is helping and it's positive. We're seeing a good response from our existing customers, are buying into the new product, and they're looking, they're very excited about the environment that they're shopping in. So I think this is positive. And yeah, I think those are the main callouts that we would have there.

But certainly in terms of what's working, I think the environment is a lot more softer and it just encourages people to spend more time shopping in the stores than just - than they had done previously. So we've seen a higher lift in AUR. We've seen a higher performance in cross-selling against categories.

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Louise Singlehurst, Goldman Sachs
Thank you. And can I just ask one thing from the slides, you talked about that top client base. Can you answer how you define that top tier client and the percentage that they would be of overall sales? That is my last question. Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Yeah, so it's an important area for us that we really, really focus on. We've been focusing on it for a few years now. Obviously, the more you focus on that, and it's definitely a metric that we look to grow. We have key KPIs in terms of how we measure that on a weekly basis.

We don't share that, unfortunately, but it's a very important indicator for us about how the new aesthetic, how the new product is resonating with our customers. And we have seen some encouraging signs.

In Q4, we did see growth in terms of the growth of that cluster and growth in spend as well. It softened a little bit in the last month, but we're really encouraged with how that's moving. And the priority for us at the moment is to see that - is to continue to build on this, basically. And this is about customer recruitment.

So as we're now well into our journey, for us, the priority now is to improve on that database, but also protecting our existing client that we have, but also recruiting a new customer in the brand, which I think will particularly help with our Accessories categories as we look to build on that.

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Moderator
Our next question is from Rogerio Fujimori of Stifel. Please unmute yourselves. Once ready, please go ahead.

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Rogerio Fujimori, Stifel
Good morning, Jonathan and Julian, thanks. I was hoping, Jonathan, if you could elaborate on the plans for Fiscal '25 to focus the assortment for Leather Goods that you mentioned during your presentation. I think you talked about building out the architecture across pricing points, price points, and including expanded offerings, small Leather Goods. Do you mean strengthening the opening price points in Leather? Is that what you're thinking with this comment about building out the architecture?

And then my second question is about retail productivity. Could you just share with us your number for Fiscal '24? And given that traffic is down, any comments on conversion and average basket changes in the last 12 months? Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Okay, thanks, Rogerio. In terms of FY25 and our plans for product, I think the important thing to again repeat here is that these changes were already put in place. Launching with the show collection in February, post that, the focus for us has been on developing and strengthening and improving actually our core offer. So we've made good steps into making that happen.

It's just kind of really only recently entered into our networks at February time. And this has really been based around a key pricing strategy, making sure that it's in line with our previous pricing strategy. A little bit of a lift as we've increased the quality, but I think we're really pleased with that. We're pleased about the responses that we've had to that, which I've mentioned earlier.

Turning to Leather Goods, I think with Leather Goods, it's clear that this will take longer for us. We're still very excited about the focus that we're having on the Leather Goods category, both from a design perspective led by Daniel and his teams, but also in terms of communication. So as we go into the summer, we're going to have a dedicated Leather Goods Bag campaign, which we're really excited about, using some great talent, both focusing on our brand ambassadors in Asia, as well as in Europe. So I think this is really positive.

When I called out Small Leather Goods, the focus has really been, up to now, has been on developing and launching a new Bag story, both in terms of men's and women's. As we progress now, we're focusing that down now. I think that there's always a little bit of a test and learn when you launch a new Bag offer that was completely changed.

Just to highlight, we also have a good carryover business in Leather Goods as well, and our vintage check lines are performing well. So we haven't walked away from that, and that's still an important part of our offer. And we've actually introduced new shapes and styles there, so this is positive.

But in terms of the newness, we're seeing, let's call it Daniel's products and Daniel's Bags, we're seeing an improvement in the share of our Bag sales improve week on week. We've also seen that in China, the improvement is stronger week on week than it is versus the rest of our regions, which I think is a positive sign here.

And now we're beginning to focus. So we believe the focus groups that we have now is the Knight Bag that was launched in September, and now the Rocking Horse will be the major focus Bag in our campaign, and I'm really pleased with how that's developing.

In terms of Small Leather Goods, and then on to price positioning, in terms of Small Leather Goods, it was an area that we were focusing on Leather Goods, so now we see an opportunity to build on that through the new groups that we have through the Small Leather Goods category. So that's really starting to come through as we speak, pretty much.

And then in terms of the productivity of our stores, the productivity of the store refurbishments has been showing a lift. Clearly with the challenges that we've had in terms of sales, we've made progress in terms of the towards our productivity targets that we stated 18 months ago. Not quite in line with expectations, but good progress.

We expect to build on that now as our offer becomes more complete, as our price positioning is now very much closer to where it needs to be, and we're building the credibility in this. It will take time, but we're pleased with the evolution in this, and we're continuing to invest in all of our categories with a very clear focus on our price positioning.

And again, I mentioned earlier, I don't know if you picked up on it, but in terms of the Leather Goods, which is where we did get called out with the first Bags that we launched in the market in September, we felt it was important to put a marker down there. There's a big increase in quality of leather, quality of production, and as we've now progressed into the future seasons, we've also worked on realigning our price positioning there as well.

I think the platform is there through the changes that we're making, also in terms of the store refurbishments that we've had, that we're confident that the densities that we put in place are targets that we really should look to achieve, and there's no change on that.

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Julian Easthope, VP, Investor Relations
Retail productivity. Yeah. So in terms of retail productivity, clearly last year, comp store sales fell 1%, so it really hasn't changed that much year on year, and I don't think I've got anything further on that.

When it comes to the retail element, as Jonathan said, footfall has been the biggest issue this year. Footfall's been relatively weak, but AUR remains in fairly positive territory.

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Moderator
Our next question is from Carol Madjo of Barclays. Please unmute yourselves. Once ready, please go ahead.

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Carole Madjo, Barclays
Hello. Two questions for me, please. The first one on China. I think you flagged, of course, some really weak traffic over there in some challenging environments. Can you come back a bit more on what's really wrong here? How much is impacted by the weaker consumer sentiment, and how much of the weakness is linked to your own brand being a bit less popular right now in the country?

I think you also talked about a bit more initiatives, investment, towards China for the upcoming year. Can you also talk a bit more about that exactly? So what are you going to do in terms of activities to try to, I guess, bring back momentum in China? That's the first question.

And the second one, sorry, just a clarification. Can you now come back a bit on how much of the products in the store are from Daniel Lee, the designer, and how much is still some older product? And I guess when should we expect the full offer to be from the designer? Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Yeah, sure. Hi, Carol. Just in terms of China, it's still a very important market for us. Clearly, it's been more of a challenge for us as it has been for our peers as well in the last two quarters. I think, as I mentioned earlier, and again, seeing it firsthand, there is a clear challenge that we have in terms of traffic, traffic into the malls, and definitely a bit of a softening in general which is clearly impacted by the China economy, slowdown in the real estate sector, and muted productivity.

We still believe that we have a position of strength in China. Again, a similar situation to our global situation. I think when you are going through a transition with a brand, with a new aesthetic, with new product, it can be a little bit harder for you. There was an anticipation about us having a new product through the stores. Definitely, there's a strong awareness about Daniel and his talent as well. We have a great network in China. The refurbishment programme in China is well advanced. So we're really confident about the platform that we have in place there.

But I would say at the moment, it's a combination of the factors that you called out. We're also learning as well. I think the important thing for us, you know now we are live, went live in September. As we've now done that, we can really see the regional nuances that come from that and what the specific regional needs are in terms of the offer for China versus other regions, for example.

We're prioritising our investment in Mainland China for the year ahead as well as the US. There's been a positive response to Daniel's product. We have some great new brand ambassadors on board. We're definitely – and the other changes that we're making we're having a lot more of a localised approach to marketing through the brand ambassadors that we have, particularly.

And the Bag campaign that I mentioned, we're actually anticipating, and it launches next week in China, all using local talent, focusing on our Bags, and we're really excited about the long-term opportunity that we have there.

The other question that you had was on the percentage of Daniel's product. I don't like - to be honest, this is Burberry and I think you know we're one brand. We're very fortunate in the company that we have a high ratio of carryover and replenishment product in our business. It's kind of an equal weight between newness and carryover that we have. I think this gives us a position of strength.

I mentioned earlier the really exciting thing for me is now we have an opportunity to refresh our carryover and replenishment product. We've seen some good changes there. We've seen one of the positives of the last quarter was a strong uplift in our Scarf business, which is important. It's a category that we're known for that I think we can continue to own and build on. We've completely reanimated that through the strength that Daniel has in terms of a focus on colour, particularly. We've had some callouts that this is going to be a moment of the Burberry Scarf. I'm really pleased about that.

Coupled to that is our Outerwear business. We also have a strong carryover and replenishment business in Outerwear. We've also had Daniel really looking at and refreshing and bringing in some newness in terms of our Outerwear, particularly our rainwear offer there. We've seen some good positive signs coming through there.

So as the seasons develop, obviously the newness that's coming through will be Daniel product, if you'd like to refer it to that. The blend at the moment would be 50% carryover, replenishment, and then newness would be you know close to 50% of which most of that would be Daniel product coming through. And that would be around about - we'd be in that position by about the summertime.

Then just another highlight there in terms of the refreshments that we've been doing, as well as the strength that we have in Outerwear, we've really refreshed our jacket category, so nylons, more casual jacket elements there, and seen a very important performance in that, particularly on the newness side.

I think this will give us a lot more of a refreshed offer. And if you go into our stores at the moment compared to if you went into our stores in February, I think you'd see a lot more cohesion in the offer that's in place there. Certainly, you wouldn't see it as two worlds that I mentioned earlier, between the old and the new. It seems to be a lot more blended now, and we feel the desirability looks a lot stronger.

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Moderator
Our next question is from Zuzanna Pusz of UBS. Please unmute yourselves. Once ready, please go ahead.

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Zuzanna Pusz, UBS
Good morning. Thank you for taking my question. So I've got just two. One is very simple. Would you be able to tell us what was the e-commerce performance in FY24, or maybe just as a percentage of sales? Because I remember you were mentioning some weakness, like peers related to the aspirational consumer.

The second question is a bit broader. I was just wondering if you could share with us what KPIs do you and the Board look at to assess the progress of the turnaround? Because you know when we look at it, sales seem to be lagging, margins have been going down rather than up. And I understand that the environment is tough, but we do see some successful turnarounds like Prada still growing double digits. So I was just wondering, what do you track? And when you may come to the point where you feel like, okay, maybe we should make some tweaks to this strategy, or maybe we should invest more. So any comments around that would be very helpful. Thank you.

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Jonathan Akeroyd, Chief Executive Officer
Sure. On the digital side, as we've seen with our peers and third-party partners, the growth of digital has really softened a lot post COVID, particularly driven by the desire from customers to purchase in store. It's obviously a key channel for us, and it really just supports our omnichannel journey.

We have begun to elevate our digital experience, and we've refreshed our Burberry.com. I have to call out there, this is still areas where we would call out there's been some learnings here, I would say, and we're looking to build on that. We're making changes pretty much on a daily basis to show a higher level of animation there.

I mentioned earlier about the blend of the carryover products and the replenishment product versus the newness. I think this is something that as the newness and the carryover product gets refreshed, you'll probably see a bit more of a cohesive offer online in the coming months. I think this is important.

We are directing our advertising more on the top tunnel here, on the top funnel sorry here, so more of the marketing focus, less so on performance marketing, more on the top funnel to drive traffic to the brand. Similar story to what we're seeing on our bricks and mortar channel is driving traffic to the site, which is the biggest opportunity that we have.

We're enhancing our omnichannel capabilities in general, and one of the main investments that we're doing this year will be on remote selling in Mainland China to improve the omnichannel opportunities that we have to convert sales as customers are coming and shopping in store, shopping into our digital networks there.

In terms of the KPIs, I mean clearly - I would say that the real highlight to just reinforce here, we're six months in, so we've moved at great speed into the changes that we've had. We wanted to – we felt there was an opportunity across all product categories. We've refreshed all of our product categories. We still have an important carryover and core business to build on. We have clear sets of KPIs that we go through weekly, and obviously, these are a big collaboration with the Board on what they are and the performance and how we track against those.

Clearly, the biggest one is there are two areas, really. One is brand, brand heat, how we're doing there. We've seen a higher performance in terms of brand clarity. We've seen an improvement in engagement with the brand, but clearly, there's more work to be done as people start to appreciate what we're doing, as we start to build from that first seasonal showcase that we had before Christmas as we're now going into more of a fuller, more complete offer, we expect our brand heat to improve.

One example here, I'm really pleased with the exposure that we had in, first of all, the show in February, seen to be our best show. It was the sixth best most searched show on Google of all the shows on that market. I think this was really encouraging, great response, great reviews. Some of the reviews came out as one of the top shows of that season. And I think people appreciated the shift that we've done in terms of coming back to really what we stand for as a brand. I think this is really important.

We're learning and we're adapting as we do that. We're making progress and we continue to be focused on execution. So that's on the brand side.

Then, the other side is clearly product and the product KPIs. I genuinely believe now, as I mentioned earlier, week on week, the offer that's coming into the stores is in line where we expect it to be. Therefore, the expectations in terms of productivity, we expect that to improve. The biggest driver of that would be store productivity and the productivity amongst each individual category.

One example there which shows that this will be a journey, I called out earlier in terms of the Leather Goods. We're pleased with the offer that we have in Leather Goods. There's a high level of desirability, a much higher level in terms of product.

The same with our Shoe offer. We have a relatively small share of our business is in Shoes. But I actually am really encouraged with the offer that we've got in the stores today. Focusing on Outerwear, we see this as a key strength in terms of footwear and then also in terms of a sneaker more casual business that we've completely rebuilt there. We've got some new offers that are coming through there.

I'm not going to commentate on some of the performance that you mentioned earlier with other brands because we're focusing on our brand. We're confident about what we're doing. We believe that Burberry can be a £4bn brand. We're confident in the strategy. We've had some learnings and we're adapting quickly onto that. I think our teams are very clear for me about what the priorities are and what the expectations are in terms of KPI improvement.

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Zuzanna Pusz, UBS
Sorry, just to clarify, in terms of KPIs, I meant maybe financial KPIs, or I guess you did mention retail productivity, but just to clarify, I meant financial KPIs specifically.

And on e-commerce, just to follow up, I was referring to your own e-commerce, so your Burberry.com website. If you could share what percentage of sales maybe it was at the end of FY24 and what was the development versus the total retail business?

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Jonathan Akeroyd, Chief Executive Officer
Yes, so we don't share our digital sales as a percentage of our business. That's not something we call out.

In terms of the KPIs, I mean clearly the main KPIs for us are all the things that we've been mentioning. So it would really be based on the combination of strategic and operational measures across brand products and distribution as well as execution.

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Zuzanna Pusz, UBS
Thank you.

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Moderator
Our next question is from Luca Solca of Bernstein. Please unmute yourselves. Once ready, please go ahead.

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Luca Solca, Bernstein
Yes, good morning and again, best wishes to Kate for a very prompt recovery.

My first question is about the brand elevation vision. I was reading from what you, Jonathan, declared to the press this morning that brand elevation remains a key pillar of what you're trying to achieve. At the same time, we see quite a significant discount pressure in the market. From field research, we found a very significant volume of products offered at a discount. You said that factory outlets remain important and material in the grand scheme of things. This appears as an intrinsic contradiction. So I was wondering how you're working to reconcile this apparent contradiction.

When it comes to newness and the heritage products, I seem to read in between the lines that in the most recent quarter, heritage and evergreen products did better than the new products brought to the market. Is that a concern when you're looking at how Daniel Lee is getting traction with his creations? And is he getting any prompts from the market in potentially tweaking his approach to creativity for the Burberry brand?

The third question is about exposure to Chinese consumers. I understand you're not disclosing exposure by consumer segment, highlighting the percentage of very important clients as part of the total. But I was wondering how this segment mix would look with Chinese consumers taken globally, whether the impression that Burberry is more exposed to aspirational consumers when it comes to Chinese consumers is correct, or whether the other way around, you're more exposed with Chinese consumers in the top segment of these consumers? Thank you much for your clarifications.

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Jonathan Akeroyd, Chief Executive Officer
Yeah. Thanks, Luca. Just in terms of the outlet, I mean, our strategic focus is really on driving the full price channel through our stores and online. The outlets at the moment, clearly you know in challenging times, it remains a key liquidation channel for us for excess inventories.

We do have a clear plan in place in terms of improving our top line business, therefore reducing the share of our outlet business. This is very much a strategic priority for us. We have a clear non-destruction policy as well. And we intend to reduce the proportion of our outlet business in our retail business over time.

In terms of the newness point, I touched on it earlier. Again, we launched, and this is the right thing to do, we launched with the show collection, and it was very much focused on newness, a new aesthetic, launched in September in a challenging environment. However, one of the amazing things about Burberry is we also have a strong heritage offer, a core offer that we can build on.

We definitely felt that this needed to be elevated, to be quite honest with you. It has been overexposed, and this is one of the areas where, just going back to that wholesale point, that we think that we needed to reduce our exposure of our core kind of Burberry check product that needed also to be elevated and refreshed. And we're pleased to see how that went.

Then also, in terms of the wardrobing element, probably more the timeless side of Burberry, where we definitely have been building on that, and that you'll see coming through in the months to come.

So for me, it's more about the balance, the balance of the offer that we have in our stores, the balance of how we communicate that offer as well. I think our communications now, you'll see that shift much more towards, probably more in towards the core expectations that you would have for Burberry.

Then with regards to Daniel, I think the great thing about Daniel is extremely talented designer. He has a very good eye and a good aesthetic, particularly in terms of elevating the product, but in the right way. He is a very good listener. So in terms of, is the message coming through, I would say absolutely. We partner very well. And he's very aware of what the business needs are.

One of the things that impressed me most about Daniel when I met him was his understanding of the potential of the brand. I think we would all agree that we went fast, we went fast with the new aesthetic, we went fast with the show, but he's growing into the role as well, and I think this is the important message there. And I've been very impressed with the way that he has taken on board feedback, and he's just as keen as we all are to see the success of the lines coming through. And he's encouraged about some of the changes that we put in place that are actually showing some good green shoots.

So one of the areas that I would call out when I come back to the core Burberry Classics offer that we have reintroduced, the fact that he has completely refreshed that in an elevated way with a new take on the check. So it's cut on a diagonal, it's a different aesthetic, high level of quality, new shapes and styles, and they really, really did need to be refreshed, Luca, as I'm sure you're aware, and we've seen a good response to that.

And more positively there, he's introduced new colourways into it. So we have new colourways, we've been pleasantly surprised by the performance of the new colourways, and this gives us you know a really good, refreshed offer there.

I think lastly in terms of China, I don't know if you've got any comments there and I can come back to China.

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Julian Easthope, VP, Investor Relations

Yes, just in terms of the Chinese customer group, we do have a quite a large - much higher percentage of our top tier customers in China, and the aspirational customer in China is a lower percentage than the group average. So it does over-index to the higher tier and under-index to the aspirational.

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Luca Solca, Bernstein
Understood. Thank you very much.

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Jonathan Akeroyd, Chief Executive Officer
Thank you.

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Moderator
We currently have no further questions. I will now hand back to Jonathan for closing remarks.

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Jonathan Akeroyd, Chief Executive Officer
So thank you everybody for your time today. Just to conclude that we're executing our strategy against the backdrop of a slowing demand, but we've made some really good progress, really pleased about the progress that we've made across refocusing our brand image, evolving our product in line with our new creative vision, and strengthening distribution.

We've learned a lot. I think this is the most important thing to highlight there. We've learned a lot about the power of the timelessness that we have as a brand, the classic attributes that we have that Burberry is known for, the importance of striking a balance between seasonal fashion and our core collections, particularly in the current market environment, and the opportunity that we have to continue to elevate the customer experience in store and on line.

We have clear expectations of what needs to be done, and we're very excited about how to share with you further information about that in the quarters to come.

Thank you very much for your time and thank you from Julian as well. Thank you. Bye.