

20 January 2021

Burberry Group plc Third Quarter Trading Update

Strong progress on strategic priorities

“Despite the challenging external environment, we made good progress on our strategic priorities in the quarter. We saw a strong increase in full-price sales as our collections and communication resonated well with new, younger clientele as well as existing customers. Our localised plans and digital capabilities helped drive growth in rebounding markets and we implemented our planned reduction in markdown. While the short-term outlook remains uncertain due to COVID-19, we are well placed to accelerate when the pandemic eases.”

Marco Gobbetti, Chief Executive Officer

- Retail comparable store sales declined 9% as planned reductions in markdown and reduced tourist traffic in outlets offset high single-digit full-price sales growth
- COVID-19 related store closures averaged 7% in Q3 FY2021 impacting trading
- Full-price sales growth driven by new, younger clientele as well as repeat customers
- Good strategic progress in key areas:
 - Full price sales in leather and outerwear increased low teens
 - Digital full-price sales growth over 50% with Mainland China in triple digits
- Highly successful festive campaign featuring Marcus Rashford MBE

Retail revenue 13 weeks ended 26 December

£ million	26 Dec	28 Dec	% change	
	2020	2019	Reported FX	CER
Retail revenue	688	719	-4%	-5%
Comparable store sales*	-9%	3%		

*See page 4 for definition

Comparable store sales -9%.

- Asia Pacific +11% with strong growth in Mainland China and Korea
- EMEIA -37% due to fewer tourists and COVID-19 related store closures
- Americas -8% as mid-teen increase in full-price sales was more than offset by planned reductions in markdown activities

Outlook FY2021

We remain encouraged by the strong underlying outperformance of full-price sales in Q3 FY2021. Notwithstanding further COVID-19 disruption, we expect continued progress on our strategic objectives in Q4 FY2021. Gross margins will benefit from full price, regional, and channel mix changes as well as lower stock provisions. Inventory and cost management plans remain on track. Whilst Q4 FY2021 headwinds persist from store closures, the performance of Q2/Q3 FY2021, driven by product and digital capabilities, reinforces confidence in our prospects.

The financial information contained herein is unaudited

Business review

Given the significant distortion in the comparable store sales performance caused by the planned reduction in markdown, we have focused on full-price sales in the business review as we believe it is more representative of the underlying performance of the brand.

In Q3 FY2021, we continued to make good progress on executing our strategy, with our seasonal campaigns and collections resonating strongly with consumers. As such, despite reduced operating hours and the closure of up to 62 stores at the height of Q3 FY2021 lockdowns (15% of the store network), we achieved a high single-digit full-price sales increase in the quarter. Full-price sales were particularly strong in rebounding markets – Americas, Mainland China and Korea – where our efforts translated to double-digit growth. To further strengthen our brand, we implemented the reduction in markdown periods and products as planned. As a result, our overall comparable store sales were down 9% for Q3 FY2021.

In terms of brand activity, we continued to deliver innovative brand campaigns since the interim results, notably with Festive and Lunar New Year. In November, we launched our Festive campaign, partnering with Marcus Rashford MBE, the English international footballer who has taken a prominent role against child poverty during the pandemic, and global charities championing youth-related causes. The consumer response to the campaign was exceptional, with engagement on our Instagram campaign posts more than double our Q2 average, and imagery featuring Marcus becoming our most liked Instagram post of all time. Marcus' work to support the UK's youth sits at the heart of our partnership and embodies our commitment to community and going beyond. In addition, as part of our focus on local Chinese consumers, we launched our Lunar New Year capsule in Mainland China at the end of December. The capsule is being supported with our first bespoke campaign and film 'A New Awakening', which we launched globally last week.

Our collections attracted new customers to the brand, leading to double-digit growth within full-price sales. Our core categories continued to perform well. For instance, both Outerwear, which was a key focus of our latest Festive campaign, and Leather Goods supported by our ongoing programme of store activations and pop-ups, grew by low teens in full-priced sales in the period.

In the COVID-19 context, digital remains a key driver of growth for the business. In the quarter, our digital innovations such as pop-ups and local activations on .com supported more than 50% full-price growth in the channel. In addition, we continued to use our digital capabilities to link customers to our stores in periods of limited traffic or lockdowns, including through our new live chat functionality on .com, virtual appointments and virtual client events.

At the same time, we continued to make progress on sustainability goals and achieved our highest ever score in the 2020 Dow Jones Sustainability Index. We were also included as a leader on CDP's A List, following our work to cut emissions and mitigate climate risks.

We strengthened our commitment to diversity and inclusion, becoming the first luxury company to partner with the Business Disability Forum, a non-profit member organisation bringing together businesses, policy makers and those with disabilities to drive change. To supplement our own allyship training, we also joined the BBC's Creative Allies initiative to promote allyship and encourage a culture of self-reflection and continuous learning.

We continued to support the COVID-19 relief effort, manufacturing PPE at cost for the NHS and we were particularly pleased to see the start of the roll out of the vaccine developed by the University of Oxford, whose research we helped to fund in March last year.

We welcome the EU-UK Trade and Cooperation agreement and are working through the full implications of the deal and mitigation of short term disruption and structural costs. Based on our preliminary analysis, we expect a modest increase in border trade compliance costs as well as some incremental duty under the rules of origin. The VAT retail export scheme previously allowing VAT refunds for non-EU tourists has now been stopped. This development, which will reduce the attractiveness of the UK as a destination for luxury shopping, will have limited impact on revenue in the current year given the low levels of tourist traffic, but is expected to have a more significant impact when travel flows resume with sales likely to shift between countries. We are looking at ways to mitigate any impact this has as tourists return to mainland Europe.

Financial performance

Comparable store sales declined 9% this quarter. Underlying performance was strong with full-price growth in the high single-digit percentage range and this is our area of focus as we concentrate on brand equity and momentum. This underlying growth was offset by an increase in COVID-19 related trading restrictions, together with the planned reduction in markdown and reduction in tourist traffic in the outlets, in line with the guidance provided in our interim results. Space growth from new stores and pop-ups contributed 4% to sales and FX an additional 1% with reported retail sales down 4%.

Asia Pacific comparable store sales increased 11% with full-price sales ahead of Q2 FY2021 across the region:

- Mainland China saw strong double-digit growth (similar to Q2 FY2021) in a quarter that has a higher percentage of local sales compared with H1. Full-price sales increased at a level well above the Mainland China comp growth and strengthened over the prior quarter, driven by both new and existing customers while markdowns were materially lower
- Korea continues to perform well with comparable store sales up mid-teens. This included a higher growth in full-price sales, significantly ahead of Q2.
- Japan and South Asia Pacific continue to be affected by the limited tourist traffic and COVID-19 related store closures.

EMEA comparable store sales fell by 37% and continued to see much lower tourist demand. In addition, the region saw the biggest swing in store closures moving from 5% of stores closed in Q2 to an average 19% in Q3 FY2021.

- Continental European markets saw a small increase in domestic customer demand.

Americas comparable store sales fell 8% with full-price revenues up mid-teens, offset by the planned material reduction in markdowns. Full-price sales continue to be driven by new and younger clientele.

Outlook:

- We expect the underlying performance in Q4 FY2021 will show a continuation of progress on strategic priorities. We currently have 15% of stores closed and 36% operating with reduced hours or restrictions and an uncertain trajectory given the spread of the more transmissible new variants of COVID-19. Given this outlook, we expect trading will remain susceptible to regional disruptions as we close the financial year.
- In terms of full year trading, notwithstanding any incremental lockdowns, we expect gross margins to benefit from positive full-price, regional and channel mix and lower stock provisions. Cost savings are currently running in line with plan and we are on track to see inventory below last year's levels.

Enquiries

Investors and analysts		020 3367 4458
Julian Easthope	VP, Investor Relations	Julian.Easthope@burberry.com
Media		020 3367 3764
Andrew Roberts	VP, Corporate Relations	Andrew.Roberts@burberry.com

- 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 with a replay available later in the day.
- Burberry will announce its Preliminary results for the 52 weeks ending 27 March 2021 on 13 May 2021

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 26 December 2020, globally Burberry had 215 retail stores, 148 concessions, 57 outlets and 44 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.

Store closures are based on the average stores closed due to COVID-19 as percentage of the estate measured daily.

Certain financial data within this announcement have been rounded.

Appendix

At 4 January 2021 spot rates, there is no expected impact of exchange rate movements on FY2021 adjusted operating profit and a benefit of £2m on revenue. This compares to guidance given in November for a £16m benefit to revenue and a £5m benefit to adjusted operating profit.

Exchange rates £1=	Forecast effective rates for FY2021		Actual average exchange rates FY2020
	4 January 2021	30 October 2020	
Euro	1.11	1.11	1.14
US Dollar	1.29	1.27	1.27
Chinese Yuan	8.80	8.76	8.88
Hong Kong Dollar	10.08	9.88	9.89
Korean Won	1,495	1,492	1,504