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Burberry Group plc

First Quarter Trading Update - Analyst Call

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Burberry

Ian Brimicombe, Interim Chief Financial Officer

Julian Easthope, VP Investor Relations

Questions From

Chiara Battistini, JPMorgan

Thomas Chauvet, Citi

Susy Tibaldi, UBS

Thierry Cota, Societe Generale

Antoine Belge, BNP Paribas Exane

Charles-Louis Scotti, Kepler Cheuvreux

Louise Singlehurst, Goldman Sachs

Rogerio Fujimori, Stifel

Liwei Hou, CICC

Luca Solca, Bernstein

Ian Brimicombe, Interim Chief Financial Officer

Good morning and thank you for joining Burberry's Q1 trading update call.

My name is Ian Brimicombe, interim Chief Financial Officer, and I am joined by Julian Easthope, VP Investor Relations.

Slides are available to accompany this presentation on the Investor section of our website and a transcript will also be made available.

I will run through our performance for the first quarter of FY 2024 before taking your questions.

On slide 2 I summarise our progress during Q1. As usual I will refer to growth rates at constant exchange rates, CER.

Comparable store sales grew by 18%, with robust recovery in Mainland China up 46%.

Outside Mainland China we achieved another quarter of double-digit growth, rising 11% with a very strong performance in EMEIA, South Asia Pacific and Japan.

We continue to see a good underlying performance from our core product categories, with outerwear seeing growth of 36% as it continues to benefit from the campaign accompanying the brand relaunch in February.

Leather goods saw growth of 13% supported by our house codes.

We continued our programme of brand and product activations with the launch of our Summer capsule and celebrated the reopening of our New Bond Street flagship store in London.

Finally, we commenced a further £400m share buyback in the quarter, to be completed by the end of this calendar year.

EMEIA enjoyed another strong quarter of double-digit growth, increasing 17%, boosted by tourism up 53% in the period, with tourism increasing from 38% to 51% of sales.

Outerwear was the standout category in EMEIA, increasing over 30% in the period.

Americas saw an 8% decline in comparable store sales – broadly in line with the fourth quarter of last year. We remain confident in the long-term prospects for the region and have accelerated the store refurbishment programme with a further 6 stores completed in the quarter.

Mainland China showed a strong recovery during Q1 with sales up 46%. While this was a single digit decline over two years, we saw an acceleration from the Mainland Chinese customer globally to mid-teens over the same period, with travel seen mainly near-shore in Asia, and some modest growth in EMEIA.

Asia Pacific was very strong up 36% in Q1, with South Korea up 6%, Japan up 44% and South Asia Pacific up 39%.

Slide 4 provides a breakdown of our retail sales. As mentioned, comparable store sales grew 18% in the quarter.

The contribution from space is +1%, leading to 19% growth in retail sales at constant exchange rates totalling £599m.

Currency was a 2% headwind this quarter, with retail revenue landing at £589m, up 17% at reported exchange rates.

Moving on now to brand. In the quarter, we continued to build our new visual expression for Burberry.

In May, Burberry attended the Met Gala, where we were joined by British and international talent including Jodie Comer and Stormzy wearing custom Burberry looks.

We have also continued to inspire and engage our younger consumer base with social media content iconising our brand codes. We achieved our most viewed post on TikTok with 20.8m views of a post featuring our blue rose print originally unveiled at Daniel's debut runway show in February.

Shifting the focus to product. In the quarter we introduced A Burberry Summer; Daniel Lee's debut swimwear campaign, reinforcing our new brand aesthetic and reasserting ourselves as a consumer brand for the summer. The collection was inspired by Burberry's heritage of adventure, with the Check taking centre stage across a curation of summer ready-to-wear and beach totes. This was supported by dedicated store windows in over 80 stores in key locations, as well as 15 pop ups including seasonal locations in Turkey, Italy and Thailand.

We continued to see double-digit growth in leather goods, up 13%, underpinned by our Frances shapes as well as the vintage Burberry Check line, highlighting the power of our house codes.

Outerwear remained very strong, rising 36%, driven by our brand relaunch campaign along with the VIP dressing at the runway show in February, both celebrating the iconic Burberry trench coat.

We are encouraged by the performance of our core product categories ahead of the launch of Daniel Lee's first runway collection reaching stores in September.

As we continue to bring a strong sense of Britishness to the brand, in June we launched three cultural collaborations with major British arts institutions – the Royal Academy, Royal Opera House and National Gallery.

For the 3rd consecutive year, we sponsored the summer exhibition preview party at the Royal Academy, celebrating the summer exhibition and fundraiser for the RA schools. We also collaborated with director and choreographer Wayne McGregor to create the costumes for his latest work for The Royal Ballet, designed by Daniel. The new ballet production debuted with its world premiere in June, performed at the Royal Opera House in London. We also sponsored the National Gallery's Summer Party for the second consecutive year.

We have made good progress on our store refurbishment programme, with a further 19 completed in the quarter giving a total of 126 stores now in the new format.

In June we reopened our New Bond Street flagship store in London. This iconic destination reinforces Burberry's position as the modern British luxury brand, offering an immersive shopping experience across all product categories with a stronger focus on leather goods, and a new VIP area to continue to develop our elite customer base.

We also opened a new temporary store on 5th Avenue, New York, while our 57th street store is under renovation.

We remain on track to complete over 50% of the store network by the end of FY24, and to finish the roll out across the global portfolio by FY26.

Moving on to our Responsibility agenda, Burberry Beyond, we made progress in all four pillars.

This was especially the case in support for our communities with the expansion of our flagship community programme, Burberry Inspire.

Designed in partnership between Burberry Group plc, The Burberry Foundation and International Youth Foundation, the initiative will support 500,000 young people over the next three years to unlock their creativity and drive positive change.

We also announced a two-year partnership with The BRIT School to support fashion education worldwide and help young people from global majority backgrounds to enter the creative industry.

In June, we awarded the annual Thomas Burberry Prize, building on our longstanding partnership with the Royal Academy of Arts. The award reflects Burberry's continued commitment to supporting the next generation of British creatives in contemporary arts and culture. To build on this, Burberry is also proud to announce the launch of an RA Schools Scholarship Grant and Bursary.

Finally, the current year outlook and guidance.

We confirm our near-term guidance for FY24, to grow revenue at HSD CAGR from 2020 to 2024 at CER, equating to a low double-digit growth in FY24 versus the prior year, and around 20% adjusted operating profit margin.

We are expecting retail space to be broadly flat for the year.

For Wholesale revenue, we are guiding to around a low double-digit decline in H1, however expect the full year to recover to broadly flat growth with the cadence impacting H1/H2 revenue weighting.

The effective tax rate is expected to be around 27% primarily due to the increase in the UK corporate tax rate from 19% to 25%.

We expect Capex at around £200m, including £120m on stores.

Currency is now expected to be a headwind to revenue of around £150m and adjusted operating profit of around £70m, based on 29 June spot rates.

And finally, in June we commenced a further £400m share buyback that we expect to complete in the current calendar year.

I shall now open the floor to questions.

Question and Answer Session

Chiara Battistini, JPMorgan

I have 3, please. First question is on the collection that Daniel Lee presented in Paris the spring collection for next year. I was just wondering if you could share with us some early feedback on the response on that collection and also how to think about the evolution of the average selling price for that collection versus where we are today?

The second question is on wholesale in the U.S. I was wondering if you could update us on what you've been seeing over the quarter in terms of wholesale behaviour in North America, if anything has changed since last quarter?

And then finally, I was wondering, on the Chinese consumer, that is now coming back. If you can comment on any changes you're seeing in the purchasing behaviour and how that cluster has been evolving? I understand travel has been picking up about anything else also in terms of what they are purchasing and kind of preferences they are showing? Thank you.

Ian Brimicombe, Interim Chief Financial Officer

Thank you, Chiara. Let’s deal with those one by one. So first, the Spring '24 collection, yes, that has been viewed by wholesalers, and we're really pleased with the response that we've got from them. The order books have been completed now. So that's been a great response. Actually, across the world. Americas, as you know, in your second question, a little bit under pressure at the moment, but I think we met expectations there and very strong response from EMEIA and Asia travel as well. So that was great. The sentiment is very strong, I think. As we get to the half year, we'll be able to update you more.

The summer collection will come through in the show in September, and that order book will come be completed in September. So more to come there. But good early feedback from all parties in our region is obviously exceptionally excited to receive the product in due course, which would probably in spring terms will be out in stores around December.

In terms of pricing, obviously, we take the opportunity to review pricing of each collection as it comes through. We'll do that in the context of global indices, the competition and taking into account to some extent, movements in FX as well. But the collection will be elevated in price. It's great quality, and I think people will respond well to it, but the pricing will be elevated relative to where we are today.

In terms of wholesale U.S. behaviour, I touched on it. There is a tough macroeconomic environment in the U.S. at the moment. I think the wholesalers are feeling it they've been destocking, so their response was within expectations, but obviously, they've got their own businesses to manage and run. I think they're probably a little wait and see what catches on. But in Americas, we're pleased with the response there, but again, I say a stronger response in EMEIA and Asia travel retail.

On the Chinese consumer, I think you're right to point out that the cluster of Chinese is really being boosted by the recovery of tourism, particularly nearshore, Hong Kong, Macau, South Asia Pacific has been strong and indeed Japan as well. So that's where we're seeing significant growth in the

Chinese as a cluster. The response into -- although travel into EMEIA, I would say it's a bit more muted, although it's increasing. We were around 2% to 3% last year we're up to 8% of EMEIA sales for the Chinese in Q1. So that is a continuing recovery, but we don't bake in too much strength in that recovery for the rest of the year. We think there are still some barriers to overcome there, not least of which visa applications and flight capacity. So slightly slower recovery happening in EMEIA, but very strong recovery coming through in nearshore. As a cluster itself, the Chinese grew mid-teens percentage against LLY in Q1, and that's an acceleration from Q4 where we were plus 11 versus LLY. So it's great to see that acceleration on a comparable period basis over 2 years. So we're pleased with that response and hopefully, the recovery will keep going.

Chiara Battistini, JPMorgan

If I can just ask a couple of follow-up questions. On the Chinese cluster, can you remind us now how much of your sales the Chinese cluster represents? And in terms of purchasing behaviour, are you seeing maybe more strength in the higher ASPs compared to the entry points or any difference from that point of view?

And a follow-up on your answer on the Spring collection. You mentioned the order book has been finalized. Can you give us any indication on how to think about the order book into next year, please?

Ian Brimicombe, Interim Chief Financial Officer

Just on the order book, yes, we're just confirming guidance this time around. We said wholesale revenue will be low double digits down H1 recover in H2 flat for the full year. So not much more to add there.

On the Chinese cluster, I think we're into the low 30s percentages. Of course, pre-pandemic, we were at 39%. So as potential to recover there. And AUR, yes, we're picking up strength in leather and outerwear across the world really. So that's the higher AUR categories, which are going well, not only for the Chinese but elsewhere as well. So again, a positive solid response continues to leather in outerwear, and that's reflected in the overall comp at plus 18% for the quarter.

Thomas Chauvet, Citi

Good morning, Ian and Julian. Three questions, please. The first just to follow up on Chiara's wholesale question. So I'm trying to understand the swing between H1 and H2 understand you confirmed full year guidance track. For the first half, down low double digit, that would probably include the U.S. down 40%, 50%. And the second half up double digit, that's flat for the year. So are you effectively expecting the difficult U.S. environment to revert in the second half on an underlying basis? Is it about Daniel Lee's collection hitting the stores? Or is it your expectations of Asia travel retail booming? I'm trying to understand how we go from such a negative situation in H1 to H2 -- that's my first question. The second one about the quarter. Could you talk about how June or even July, compared to the 18% like-for-like in the period, especially in China where the comp base becomes a lot tougher from June, July when the government lifted most restrictions last year, at least in some of the big cities.

And then finally, a question on leather goods. It's been a few quarters; you've mentioned the Frances bag to be very successful. How do you think about the architecture of the handbag range? I remember Marco Gobbetti restructured the families of bags so that 4, 5 lines contributed to 70% plus of sales, which would you say are the top 4, 5 lines of bags now that are contributing the most and you think will remain as carryover lines. So I guess the Francis, the Lola, maybe the TB, anything else to call out that, that will form the pillars of Burberry's successful leather business.

Ian Brimicombe, Interim Chief Financial Officer

Thank you very much, Thomas. So, wholesale and H1, H2, yes, you're right to say that we've confirmed guidance of the same pattern as we've seen before. And remember, Autumn/Winter '23 was pretty well set in May so, we were able to confirm that the first part of the year and certainly, it was driven by Americas wholesale and the macroeconomic headwinds are suffering there, plus they were destocking from previous positions. So that's really driven the double-digit decline in H1. We do see some recovery, some small recovery from Americas, but actually we're not dependent on that. It's really coming from EMEIA and Asia travel retail in terms of that recovery in the second half, which is why we're able to confirm that we're flat.

We've already had the spring order book in place. So that's encouraging. It's very well received, and we've got summer to come. So, we're confident that we remain in line with the guidance that we set out in May for wholesale.

In terms of June, July patterns relative to the plus 18%, we're not going month by month or week by week with you on comps. You're right to say that China comp will be tougher. We sort of suffer the inverse this year compared to last year. So, while last year, we were out Q1, Q3 in China, you're going to find those easier comps Q1, Q3 and tougher comps, Q2, Q4, that pattern is right. But we obviously, we're able to still confirm the full year guidance, notwithstanding that movement.

I would say that the ex-China business is very solid. We hit plus 11% last year and were plus 11% this quarter as well. So, you'll see that continuing through the year, I think more stable than you will see the final comps, which ultimately will influence the movements in group comps overall.

Leather, yes, we're -- obviously, we did a reset with Marco and our leather goods offering. The architecture was complete. We've had great success last year with Lola. In fact, we're comping that in Q1 as well as a great campaign we did those carry -- will carry forward. That will be part of our offer going forward. There's some great strength there, the Burberry Check line, the vintage Check and the Frances shapes, as you called out the TB hardware line so all of those are going well for us, and will carry forward for us. But what's really exciting, of course, is Daniel's new bags and if you've had a chance to go to Bond Street, you will see a selection of them coming in the stores in September that are on sales for pre-order in that section, and that's going really well. A lot of excitement about those new bags to come, the Knight, the Chess, and the Shield. They all look fantastic. They dial into the Britishness of the brand. There's some great detail there. There's a high level of quality attached to them and some just a fantastic offering. So, I hope that will come through for us as well. But the bag collection that we have at the moment, we're pretty pleased with, and it's showing some strength within that for the leather goods increase in Q1 of 13%.

Susy Tibaldi, UBS

This is Susy Tibaldi on behalf of Zuzanna Pusz. Two questions, please. First question, how should we think about the step-up in the percentage of SKUs coming from Daniel Lee thinking quarter-by-quarter. And specifically, when can we expect it to hit around 50% of SKU in the stores?

And secondly, on the nationalities, can you provide a bit of comments on the local European consumers? Are you seeing any sign of weakness at all? And I know you mentioned that in the U.S., you're seeing a bit of weakness at the aspirational price points. Is that something that you're seeing among European locals as well.

Ian Brimicombe, Interim Chief Financial Officer

Thank you, Susy, and thank you for stepping in. So, the SKUs from Daniel. So, Daniel was obviously the winter campaign, winter '23 and it's really that which will be starting to roll into stores from September. He's also been responsible and led the spring/summer pre-collection. Again, we talked about that order book for spring already been completed with the summer runway to come in September and the summer order book to follow thereafter. And that will be in stores really spring in December and then summer coming through into the new year, January, February.

The newness and the collections, including the runway is around about 50% of our business. So, it's going to take some time for Daniel's product to build through our total offer. But again, really excited to introduce product his in September in terms of that winter '23 collection. In fact, we've launched the Autumn/Winter '23 campaign this week. So, you'll see some imagery coming from the Isle of Skye and the Giant’s Causeway, Northern Island and fantastic inventory and some great shots of what's to come in September for Autumn/Winter '23, particularly Daniel's element in the runway.

So, we're not going to give percentages step-by-step in terms of proportions of when Daniel products are going to be in the store, but you can see this as a sort of three season program. And then ultimately, Daniel's product well elements of it, will fall into replenishment as well. So we'll be working on replenishment over time. So that's the program and the cadence that helps you.

In terms of EMEIA nationals, EMEIA cluster and customers, yes, a little weaker this quarter, minus low single digits compared to the positive high single digit last quarter. We're not overly concerned with that. I think there was a reasonable strength in tourists and tourism into EMEIA was up 53% for the region’s doing well. EMEIA nationals, I think we were focused on locals; we've switched to tourist now. So overall, the EMEIA region is plus 17% for the quarter, were quite strong, but nothing particularly concerning us on the on the movement on EMEIA with the cluster itself.

And the U.S. aspirational customer, I think, we're still building our offer for the aspirational customer, and while we're very intent on recruiting new customers, which remain nearly 50% of our business in the U.S., it's fair to say that the high-net-worth individuals are really indexing higher at the moment in Americas. And they’re buying into the leather goods and outerwear offer at the higher AUR. So that's coming more to the fore now compared to the U.S. aspirational customer that's softened a little bit.

We've -- we want to dial into the aspirational customer, not only in Americas but globally as well. So hopefully, that will come back, but a moment indexing on the on higher income bracket.

Susy Tibaldi, UBS

Okay. And is that comment actuals for the European consumer? So also within the European consumer, you're seeing better strength at the higher end and the weakness is driven more by the aspirational consumer?

Ian Brimicombe, Interim Chief Financial Officer

Yes, I think that's right. Again, the outerwear and leather goods are going strong, they are higher AUR categories, and we are seeing strength in that higher income bracket across EMEIA as well. That's quite right.

Thierry Cota, Societe Generale

Three questions for me. First, can you quantify the benefit from store refreshment and refurbishment. Now you have quite a large part of the footprint refurbished. Can you tell us before versus after where improvement you've seen, firstly.

Secondly, the 20% EBIT margin target this year at FY '20 constant currency or FX. Can you tell us how that translates into reporting margin this year factoring in the new headwind from FX.

And if you could give us the same indication on gross margin, given, if I'm not mistaken, you're planning on 70% at last year's foreign exchange this year, what that means factoring in the new headwind on FX?

And then lastly, just furthering on what you literally have just said, on the European cluster. So if the European cluster is slightly down and the American cluster is slightly down as well and the Chinese will normalize in Q2 given the hardening comparison base. Where does that leave Q2 in terms of comp store growth? Is mid-single-digit offer estimate? Is that the ballpark? Or is that too exotic.

Ian Brimicombe, Interim Chief Financial Officer

Yes, so the benefit of the stores, clearly, we're in the midst of our store refurbishment program rollout. We completed around 30% of the network by the end of FY '23, and we aim to be around 50% at the end of this year. Obviously, we're monitoring performance of those stores. The data that we have at the moment indicates higher AUR product being sold, higher productivity in those stores of around mid-teens. So that's great response. As the role that continues, we'll keep an eye on those metrics. But hopefully, we'll continue to see the performance improve particularly the stores are better laid out for accessories, which you know is part of our strategy as a goal to grow that category to 50% over time, and the stores sort of lend themselves to that. So great to see that productivity increasing and the return on that investment coming through.

In terms of margin, yes, quite right, 20% operating margin at FY '20 CER. I have reported it will be about -- there'll be a headwind to that. I think Julian will probably follow up with you on that - Julian.

Julian Easthope, VP Investor Relations

It's 20 basis point headwind against FY '20 FX.

Ian Brimicombe, Interim Chief Financial Officer

Yes. 20 bps, Thierry. And gross margin, we're calling it at around 70% on a reported basis. So we're a little ahead in terms of CER basis. In terms of the cluster, if I follow your question, yes, EMEIA cluster, down low single-digit Americas down low single digit as well. And Chinese obviously accelerating on a last last year basis from +11% Q4, to plus 15% in Q1. I think that's the balance that makes up your comp for this quarter. But was there anything else you needed on that?

Thierry Cota, Societe Generale

No, the idea was moving towards Q2 if the Europeans and Americans trends don't change much and the Chinese moderate considerably given the comparison base, where does that leave the potential for comp store in the second quarter.

Ian Brimicombe, Interim Chief Financial Officer

Yes. Well, Q2, as you know, it's a tougher comp for us given that China was open. So, we'll see that a pattern of tougher comps in Q2 and Q4. It's a bit early to call where we're going, given it's the second week in Q2. But look, we're monitoring the performance of all regions and all clusters I think what we're seeing is the Q1 results being pretty strong for us, and we're happy with the plus 18. We'll just update you on Q2, of course at the half year.

Julian Easthope, VP Investor Relations

I say here, we are maintaining our full year guidance, and that's why the year guidance obviously requires Q2 to see positive development. And don't forget that although China itself, the Chinese cluster was up mid-teens in this quarter, and that's going to be a factor in our next in Q2 as well.

Thierry Cota, Societe Generale

Okay. And maybe just a follow-up. You said mid-teens benefit from refurbishment, if I heard well. Is that in line with your expectations? because I suppose this is factored into the over 20% EBIT margin you want to reach within a few years. So is that -- are you pleasantly surprised? Or is that pretty much in line with what you expected?

Ian Brimicombe, Interim Chief Financial Officer

We set out, if you recall, Jonathan set out in November the productivity for the midterm, we were aiming at 25,000 pounds per square meter. We are pleased with the progress we're making against that target, in particular, in the new refurbished stores. So, we are on track and hit that medium-term target.

Antoine Belge, BNP Paribas Exane

So the first question is actually a follow-up and sorry to be pushing a bit further. So on the cadence of the Daniel Lee's product, if I understood, too not to get into a Burberry store and find more than half of the product having design by Daniel from the qualitative comments you made, I understood it was maybe the January to March quarter. So is that a fair comment? Or is that going to be a bit later?

My second question is on the underlying OPEX guidance at constant currency. I did a bit of a math and for me, it's around high single digit, but more like 9%. So is that a fair comment? I mean it's something that is a bit different from what Jonathan told us maybe when he joined and maybe that's an acknowledgment that companies like LVMH or for instance, investing heavily and to support the efforts of Daniel Lee, you need probably a bit more marketing support.

And maybe a final question about what you've seen in China, I really want to see if in the sort of exit rate, you basically saw the China numbers maybe slowing a bit, but that was more than compensated by an acceleration in tourism.

Ian Brimicombe, Interim Chief Financial Officer

Yes, I just come back on Daniel's collections. So, the only thing that's going to be in stores in September is Winter '23 runway as part of the autumn winter collection overall. So, if you think of the newness, then Daniel's collection is around 30% of the newness that's going to be in store from September. Then you will roll forward the spring/summer, which Daniel is responsible for all of which is again about 50% of the total product offer the other 50% being core and replen. And that will roll into stores from December onwards.

So we're not going to give you month-by-month percentages with Daniel because the core offer is still really strong. This is different to when Ricardo took over from Christopher. It's a strong core offer, but a strong replen offer with the newness layering in over top over time. So, the transition will take 3 seasons to get through. But again, really excited to have the winter runway in store in September. And there's some pre-order on selective looks going on in Bond Street and indeed another set in Asia at the moment and the response to the new product has been really strong.

So we're looking forward to and anticipating the response to the broader autumn/winter collection to hit stores from September onwards. So that's the cadence we're looking at without actually giving you a precise point in time as to when it's going to be 50% Daniel.

OPEX, I think yes, we are investing behind the business. We've got OPEX growth underlying at around 9% overall, with the inflation built in and running at about 5%. But the investment's important as you raised that. We are investing behind the business. You'll see us invest behind the product launch in September, of course, and we're starting from now. So, the autumn/winter campaign for '23 has launched this week. You'll see us amp up the communication throughout this month and beyond ahead of the launch through all media channels. And then we've got some very interesting activations going on, big activations going on to get behind the product into Q3 and Q4.

So great stuff to come. We, as you know, spend around the high single-digit percentage of sales against marketing and VM. We're at the sort of higher end of that number to ensure we put the optimum amount of marketing spend behind the product launches. So, we're looking forward to that to come at the back end of Q2 and into Q3.

On China numbers, I think you're right to call out the tourist rate is really driving the Chinese cluster here, the near shore tourism, in particular, Japan is plus 44%, driven in part by Chinese tourists, but then the Chinese tourists are also driving growth in Hong Kong and Macau and other parts of South Asia Pacific. We've said that they're not so prevalent in EMEIA just yet. There is an increase in Chinese tourism into EMEIA on from about 2% to 3% last year to 8% in Q1. Again, we're not embedding significant recovery of the Chinese tourists in EMEIA just yet, and we'll see how that evolves, particularly over the summer. But we're pleased with the acceleration in Chinese cluster from Q4 last year, plus 11% to Q1 at plus 15% this year against last last year. So that's a good recovery.

Chinese overall, around 32% of our business pre covid at 39%. You might imagine there's some way to go. And we're sort of pleased with sort of exit rates coming out of Q1, we think that recovery will continue back towards the pre-COVID levels.

Antoine Belge, BNP Paribas Exane

Okay. Then maybe just -- so from what you said about again, that cadence of Daniel Lee's products. So if I understand well, we should not just focus on the impact on the newness getting so on the replenishment, where you already had a sort of tweaked a few things.

Ian Brimicombe, Interim Chief Financial Officer

Newest verses replenishment being around 50-50 split, is that what you're asked?

Antoine Belge, BNP Paribas Exane

No, no, more -- again, the influence of Daniel, maybe the wrong way would be just to think about this impact on the new products.

Ian Brimicombe, Interim Chief Financial Officer
Daniel's influence will be -- sorry, Daniel's influence will be across the pre-collection and the collection. So he's responsible for all newness coming through from this point on. Again, he only arives to be influential and driving the Winter '23 runway, the autumn/winter is part full collection carried forward, plus Daniel's runway for Winter '23. So, spring summer ‘24 newness is all Daniel. And that's what we're arriving in the stores from December onwards for spring and then into the new year in the summer. That has been, as I say, well received as a pre-collection and the order books are completed for spring, we'll finish the Spring/Summer order book post the runway show for summer in September.

And then we'll have the spring summer, as I say, in the stores in December on so that's the cadence of how we're introducing Daniel's collections through back end of this year into next year. And of course, in autumn winter '24, we'll be all Daniel as well.

Antoine Belge, BNP Paribas Exane

Yes. Well, thanks for the clarification. And then sorry for sort of asking question on that topic.

Ian Brimicombe, Interim Chief Financial Officer All right, Antoine. Thank you.

Charles-Louis Scotti, Kepler Cheuvreux

I have 2 actually - the first 1 on leather goods, the business was up 13%, which is slightly below the rest of the business. Is the leather goods performance broad-based across all geographies? Or is the category momentum much better or much weaker somewhere and especially, if you could comment on how the leather goods business you're doing with Chinese customers?

And then my second question you mentioned that you reopen your Bond Street flagship store. Can you tell us how meaningful it is in terms of total sales in the U.K. or EMEIA region? And also you said that you have a brand-new VIP area. Do you plan to do the same across all your flagship stores going forward? And how successful have you been so far in attracting top spenders?

Ian Brimicombe, Interim Chief Financial Officer
Yes. So quite right, Charles Louis that leather goods up 13% for Q1, good performance of particularly the Frances shape and the Vintage check lines in bags generally. But leather goods is broad-based. I mean, I think we've got our lead lines and lead shapes as you've seen them for a while now, the TB hardware, Lola proving strong for us. Frances as we said. And the Chinese is similar. The growth in China and that is a similar level. Bags are certainly as a proportion increasing at a greater rate than the general offer in China, so that was pleasing to see.

Obviously, on leather there's so much more to come as Daniel's collection rollout. We're very excited about his new shapes, and they are certainly a part of the pre-order collection that are sitting in Bond Street and indeed in Asia at the moment. So lots more to come on leather goods.

In terms of Bond Street, in the U.K., yes, the U.K., I think, is a little bit behind in terms of growth rate relative to Continental Europe. But it's obviously our home territory, and we want to see that performing well. The VIP area you mentioned obviously, that has been introduced in the new format store in Bond Street, and that's driving great interest and engagement with our VIP clients, that will be part of our bigger stores for sure. And that's an important area for us to build on. And certainly, our - one of our focuses is going to be on that the VIP client going forward and important build for us as we introduce particularly the new product coming through from September.

Louise Singlehurst, Goldman Sachs
Sorry about that. You're very kind to let me back on. Two questions for me, if I may. Just on the outerwear, so up 30% in the prior quarter, 36% this quarter -- and of course, this is before we really get the new content coming in from Daniel Lee. Can you just tell us about the cohort mix? Is this new customers coming to the brand? Is it reenergizing the existing kind of customer cohort already within the CRM system. I'd be really interested to hear about just that dynamic.

And then the second question I had, just back on the U.S., is there anything that you can help us understand the operating environment. Is it -- obviously, it's very similar to the prior quarter, minus 7% goes to minus 8%. But is it traffic versus conversion? Is traffic just a lot more lumpy week-on-week? And has there been any particular change going towards the end of the period, i.e., any implications that we should be considering as we go into the next quarter or this current quarter, I should say.

Ian Brimicombe, Interim Chief Financial Officer
Thanks, Louise. Thank you. Yes. On outerwear, we're really pleased. Obviously, the plus 30% that you are saying in Q4 last time, plus 36% this time. It really, we're harking back to Daniel's first

influence on his take on the aesthetic and brand 01 relaunch of February where he dressed various talent in London. And that campaign really did resonate. And it carried through also to the runway show in February where, again, local and international talent were dressed in trench. So, the outerwear is really driven by rainwear and rainwear driven by heritage rainwear and there's an equal response from new and repeat customers there, as we've seen coming through, not only at Q4 last year, but in Q1 into this year. So, we've really got a strong pickup there, and it's been an excellent driver and it just shows us the strength of Daniel's input into any area of our business really drives the business for us, and that was a great outcome. So that was outerwear.

In U.S., yes, sort of minus 7, minus 8 patterns for Q4, Q1. The operating environment is tough. I think we are getting good traction with higher net worth individuals relative to the aspirational. We're getting good traction on leather and outerwear as we just mentioned, there the strength in categories as they are globally actually.

In terms of traffic, it's a little bit offset is a bit lower. We have to say conversion is okay. Traffic is down in the U.S. Of course, that's partly to do with the softening of the aspirational customer. But we look to rebuild there. We are investing in the U.S. we are certainly progressing with the store refurbishment we opened 6 in quarter one. We're trying to get - the target is 40% of the Americas network done by the end of the year. So that's quite an acceleration in the U.S. We're going to be investing in temporary stores, pop-up pop-in activations to support the launch of products, so it's really important market for us and we're confident that's going to come back to us as we go through the rest of the year and indeed with the new collections. So more to look forward to the U.S. that that's the pattern at the moment.

Louise Singlehurst, Goldman Sachs

And can I just ask 1 last 1 as analysts always have 3 questions. Just as I think about it, the marketing expense, I think you mentioned it's tracking around the high single-digit percentage of sales at the moment. When was it last at that top end of the range? And has it ever been double digits historically?

Ian Brimicombe, Interim Chief Financial Officer
We'll have to do a bit of digging for you on the history when it was this range, but we do generally stay high single digits. I mean, if you go 7 to 9 high single digit is where we are. I think last year, we would have been a bit lower compared to where we're going this year. And of course, it's really back-end weighted this year as we support the products being launched in the store from September, you'll see us very active in the market.

As again, I said, we've launched out on Winter '23 campaign this week. The noise levels and the engagement levels will have been rising for the next couple of months ahead of launch. So very active back-end weighted at the upper end of high single digit for this year.

Rogerio Fujimori, Stifel

I have 2 questions. One is about shoes. I think any comment in terms of recent trends and what you expect from Daniel given his track record at BV. I think you talked about his new bags coming in September were anything to flag on shoes. And then you could say a word about the comp growth for scarfs and other carryover products excluding bags anything to -think about- in terms of effect from Daniel's campaign on outerwear would be great.

Ian Brimicombe, Interim Chief Financial Officer
Shoes remains a big opportunity for us. I think if you go back to Jonathan's statement on medium-term targets, obviously shoes was more than doubling. I think we see huge opportunity there with combination of both Daniel and Jonathan, who built shoe categories before have been very successful. We are soft at the moment on shoes, of course, because the new collection isn't in. I've seen the shoes available that are coming through in autumn winter and they look great there's a much fuller offer across formal, informal and importantly for us, as an outerwear brand, we have shoes for outerwear, which is going to be fantastic. So, we see great opportunity there.

And that medium-term target of more than doubling shoes, I think, is within our reach and remains our focus. So, shoes is a great opportunity. Soft at the moment, but we are going to come back strong when those collections are in store.

In terms of scarfs, we've seen a really positive response more recently. They picked up. We're in the plus 20 on scarfs. We think that's partly to do with increased tourism and gifting when tourists travel and looking for a gift, they go for scarves, but there's been a great pickup around plus 20% in Q1 and EMEIA is probably doing the best, but followed by China and Japan is doing well as well.

So, across the board, that particular category is doing very well. It has dialled into, of course, a bit of the outerwear and our position that's really important to us, and that's been picked up at the moment. So yes, we're very pleased with that.

Liwei Hou, CICC

I've got 3. The first one, sort of to come back on the clusters. If we compare the past quarter versus the same quarter in 2019 before COVID, what would be the growth for different clusters, including American, European and Chinese, so that would be the first question.

The second one is to drill a little bit further on Chinese performance, mid-teens growth is quite good. And could you break down to traffic and conversion and ASP because I'm getting mixed signals in China, especially on foot traffic. So if you could help clarify the drivers in China would be really helpful.

And the last question is on our full year guidance, low double digits. Could you break down by volume and price and especially within the price, how much would be our like-for-like price hike? And how much would be launch of newer products selling at a higher price point.

Ian Brimicombe, Interim Chief Financial Officer
So harking back to 2019 sort of pre-pandemic, all clusters are up double digit actually. So we even show strength in Americas as well as EMEIA and the Chinese. So that's it's been positive for us. And it is good to make that comparison, as you say, pre-pandemic because that's really like-for-like, but we're up double digits across all of them, which is great. Just to give you a little bit of insight, we're around 20% in Americas and around 30% in China. So that's very positive for us. In terms of China and traffic, I think in the quarter, I don't know, Julian, if you've got specific numbers. We're -- we're pleased to see the continuing recovery with Chinese overall, of course, traffic is

very high with the tourists element.

The local, I think, is probably down relative to the tourists, but we'll get some insight for you on that with the follow-up call, I suspect. AUR's they're picking up very nicely across the world and particularly in China and with the Chinese locals and tourists into the AUR pickup really driven by leather and outerwear, are the drivers there and will be up double digit in terms of where we are versus the same quarter last year.

The guidance, low double digit relative to FY '23, quite right - that's where we're heading, I think volume and price is probably split equally in terms of driving that growth for this year relative to last, that's the balance that we're looking at, at the moment. We won't offer a particular split there, but that's -- that's a rough guide to how that growth is made up.

Liwei Hou, CICC
Very helpful, indeed.

Luca Solca, Bernstein
My first question is on full price progression. The reason I ask is that in our store checks, we found a significant amount of promotion pressure. Soft promotions, I mean, in full-price stores, especially in China as seemingly there was an effort to exit the Riccardo Tisci collection.

I wonder if you would confirm that promotions have been more important than usual in your growth this quarter? And if you anticipate that as you shift towards Daniel's collection, the promotion intensity will reduce.

The second question is on the appetite of Chinese consumers for products other than the trench coat and the check pattern. In our field research in China that we just carried out, there seems to be a very high appreciation for your core iconic products, especially the trench coat and the check as important elements of the Burberry DNA.

I wonder what kind of pickup you are recording when it comes to introducing new product categories. And most importantly, leather goods and footwear and if you'd say that the Chinese nationality is at the forefront or behind the curve in picking up those products. I understand you were singling out the high-end American consumers as being on the front foot on this front. So I was just wondering about that.

And then maybe as a third question, and just for clarification, we've been talking a lot about nationalities today. I wonder if you could give us your sales mix by major nationality how much is going to American, European, Chinese and Japanese consumers, if you could?

Ian Brimicombe, Interim Chief Financial Officer
Sure we can. On the full price progression, obviously, we're not breaking out full price these days because we're sort of beyond the point where we removed markdown in FY '22. You'll recall that was a strategic step taken by Marco and Julie to take markdown out of our off-line and online channels. I think there are still a very small proportion of private sale items that go out to selected clients. That is a very minimal part of the business. So -- we'll follow up with you in terms of what you were picking up in China. I know you just had done the store visits out there. Obviously, with

Daniel's product coming through, that's going to be a strength for us in terms of full price business, both offline and online.
And as I say, that's going to be rolled out from September. So, we're looking forward to that. And those price points will be a degree elevated from what you've seen before.

In terms of the China consumer, yes, we're obviously very pleased with the performance in leather and outerwear. And of course, they're very keen on our iconic codes and products, trench and check going very well. Jonathan was actually out in China maybe 3 or 4 weeks ago, visiting around about 30 stores, just seeing staff and head office there as well. There is a high degree of anticipation for what's to come. I think the Chinese people are very well aware of their brands and their designers. They're very familiar with Daniel Lee. They know him by name and they're looking forward very much to receiving this product. So, I think we've got great expectations for the performance we're going to have in China with the new collections that they come through from September.

We mentioned shoes a little bit earlier as to what an opportunity that is for us and indeed in leather with the bags coming through as well. So, there is a pre-order selection of the looks out there in Asia at the moment. We're getting a very positive reaction from those to go alongside our very, very strong core offer as well. So, a lot of excitement to come with the -- with not only a continuation of the iconic products that we have, but also with the new particularly dialling in the Britishness into the new collection. So, lots to come there.

In terms of the clusters and sales mix, nationality wise, we can get those numbers. We've got China roughly at around 30% of our business, Chinese, I should say, roughly around 30% of our business. EMEIA will be around high 20s, I think in Americas, lower 20s at the moment for Q1. So that's -- we'll follow up with you to get the precise numbers when we have a call later with Julian and Lauren.

Operator

This concludes our question-and-answer session, and I will turn back to Ian Brimicombe for any closing comments.

Ian Brimicombe, Interim Chief Financial Officer
Thank you very much, operator. Well, thank you, everybody, for joining the call and for all the questions. We hope we've covered the ground then give you a good flavour of how our performance has progressed in Q1. We're very pleased with the good performance. And obviously, we've reiterated guidance for the full year, but so much to look forward to with this brand through Daniel collections coming in September, both offline and online. So we look forward to that and updating you at our next call for the interims in November 16th. And of course, Kate Ferry will be our new CFO at that point.

She's joining actually on Monday. So we look forward to welcoming you to the interim call then.

In the meantime, I wish you a very good afternoon. Thank you.