

# Burberry Group plc

## Third Quarter Trading Update

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### Continued customer excitement ahead of new product delivery

*“I am pleased with our progress in the quarter as we continued to build brand heat around our new creative vision and shift consumer perception of Burberry. Excitement is growing ahead of next month’s launch of Riccardo’s debut collection. We will continue to manage the business dynamically as we reposition the brand. We confirm our outlook for the full year.”*

Marco Gobbetti, Chief Executive Officer

- Built brand heat through Festive campaign, Vivienne Westwood collaboration and B-Series product drops
- Continued to shift consumer perceptions of the brand, driving increases in digital engagement and endorsement from key influencers
- Wholesale clients responded positively to Riccardo’s commercial product lines as the transformation of our distribution network continues
- Preparations on track for launch of Riccardo’s debut runway collection arriving in stores from late February
- Continued to manage the business dynamically to deliver financial objectives and protect the brand

### Retail revenue 13 weeks to 29 December

£ million	2018	2017	<i>% change</i>	
			<i>Reported FX</i>	<i>CER*</i>
Retail revenue	711	719	-1%	-2%
<i>Comparable store sales</i>	<i>1%</i>	<i>2%</i>		

*\*Growth at CER includes -1.1% impact from retail calendar and -0.4% impact from IFRS 15. For more detail see the Appendix*

- Strong Festive campaign with social conversation reaching c57 million consumers
- Comparable store sales +1% with a consistent performance across regions:
  - Asia Pacific benefited from Mainland China up mid-single digits
  - EMEIA showed a small improvement in tourist spending quarter on quarter
  - Americas was impacted by softer footfall trends
- Space -1% with two net closures in the quarter

### Outlook

- Maintaining FY 2019 guidance at CER\*\* including delivery of cumulative cost savings of £100m

\*\*See Appendix

The financial information contained herein is unaudited.

## **Business review**

While still in the first phase of our multi-year plan to transform and reposition Burberry, we made good progress in the quarter as we built brand heat and continued to shift consumer perceptions, while maintaining our focus on our financial and operational objectives.

We used the monthly B-Series to bring limited-edition products designed by Riccardo to consumers. Sold predominantly through social media, these collections resonated strongly with new and younger customers and were endorsed by key influencers around the world. In China, the B Series was recognised as 2018's most exciting luxury campaign on WeChat.

Building on our new go-to-market model of frequent product drops, we launched an exciting collaboration with Vivienne Westwood in December. The limited-edition collection of Westwood's iconic pieces reimaged in Burberry vintage check saw strong global demand and attracted exceptionally high traffic to our digital platform.

This year, our Festive campaign celebrated Christmas traditions and rituals. Centred around a film entitled 'Close Your Eyes and Think of Christmas,' it featured an all-star cast including Kristin Scott Thomas, MIA and Matt Smith. The response was strong with associated social conversation reaching around 57 million consumers. More widely, our social media presence continues to grow with more than one million additional followers QoQ across Instagram and WeChat and a more than 50% improvement in reach on WeChat.

We continued to translate our new creative vision into our distribution network. As guided, we are accelerating our wholesale remodelling in this half, stepping up our closure programme of non-luxury doors in the US. And in retail, our store refresh programme will reimagine 10 key flagships by the end of the financial year.

Wholesale clients responded positively to Riccardo's commercial product lines and excitement is building ahead of his debut runway collection arriving in stores from late February. We have a strong plan for the launch including activations across key wholesale doors.

Building on our commitment to become carbon neutral in our own operations by 2022, in December we partnered with UN Climate Change to launch the Fashion Industry Charter for Climate Action. The charter aims to drive change across the industry with an initial goal of reducing the aggregate greenhouse gas emissions by 30% by 2030.

## **Financial performance**

As previously highlighted, at this stage of the transition we are navigating our business between the new branding and vision for Burberry and the previous collection in store that does not yet reflect our new positioning. We continued to manage our business dynamically, delivering comparable store retail sales growth of +1% in the period.

## **FY 2019 Outlook**

We maintain our FY guidance of broadly stable revenue and adjusted operating margin at CER and the delivery of £100m cumulative cost savings.

## Enquiries

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry corporate website ([www.burberryplc.com](http://www.burberryplc.com)), with a replay available later in the day.

Preliminary Results for the 52 weeks to 30 March 2019 will be announced on 16 May 2019

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 29 December 2018, globally Burberry had 237 retail stores, 151 concessions, 52 outlets and 46 franchise stores, excluding the impact of 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.

## Appendix

**Currency:** At 31 December 2018 effective rates, the expected impact of year-on-year exchange rate movements on FY 2019 reported adjusted operating profit is around £25m adverse. This is unchanged from our guidance given in November 2018.

Exchange rates £1=	Forecast effective rates for FY 2019		Actual average exchange rates FY 2018
	31 December 2018	31 October 2018	
Euro	1.12	1.13	1.13
US Dollar	1.30	1.30	1.33
Chinese Yuan Renminbi	8.79	8.88	8.79
Hong Kong Dollar	10.17	10.18	10.37
Korean Won	1,445	1,459	1,473

### Retail calendar and IFRS 15

With effect from 1 April 2018, Burberry is preparing its full year consolidated financial statements to a Saturday within seven days of the 31 March. In addition, Burberry has adopted the new accounting standard IFRS 15 relating to revenue from contracts with customers.

- For FY 2019, there will be no significant difference between the comparability of the prior year and current year income statement
- The impact on some of the individual quarters during FY 2019 is expected to be more pronounced than the full year impact. There will be some phasing impact on quarterly revenues resulting from a difference in trading days under the new and old financial reporting calendars
- To aid with comparability, in FY 2019, the impact of any revenue differences arising from the changes in reporting calendar and IFRS 15 have been separately identified.

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.

Certain financial data within this announcement have been rounded.

Cumulative cost savings are savings compared to FY 2016 operating expenses.