

22 January 2020

Burberry Group plc Third Quarter Trading Update

Good progress on brand transformation

“This was another good quarter as new collections delivered strong growth and we continued to shift consumer perceptions of our brand and align the network to our new creative vision. While mindful of the uncertain macro-economic environment, we remain confident in our strategy and the outlook for FY 2020.”

Marco Gobetti, Chief Executive Officer

- New product continues to perform well, now around 75% of our mainline retail store offer
- Continued focus on consumer inspiration, with social and digital innovations, and additional new and refreshed stores
- Excellent response to our Festive campaign and Lunar New Year activities
- Continued focus on Chinese consumers including taking our runway show to Shanghai in April and developing our first social retail store in partnership with Tencent to open in Shenzhen in H1 2021

Retail revenue 13 weeks ended December

£ million	28 Dec 2019	29 Dec 2018	Reported FX	% change	CER
Retail revenue	719	711		1%	2%
Comparable store sales*	3%	1%			

*See page 3 for definition

Comparable store sales +3%. Growth led by full price sales, partially offset by lower levels of markdown inventory available for sale and continued disruptions in Hong Kong S.A.R

- Asia Pacific grew by a low single digit percentage driven by Mainland China up mid-teens, whilst Hong Kong S.A.R sales halved
- EMEIA grew by a high single digit percentage supported by tourist spend, which particularly benefited Continental Europe
- Americas was stable. The US grew by a low-single digit percentage partially offset by Canada
- Continued growth in apparel. Accessories benefited from a fuller leather goods offering

Outlook FY 2020**

We now expect FY 2020 total revenue to grow by a low single digit percentage at CER compared to previous guidance of broadly stable. Adjusted operating margin is expected to remain broadly stable at CER despite the impact of disruptions in Hong Kong S.A.R.

**Guidance excludes the impact of the adoption of IFRS 16

The financial information contained herein is unaudited

Business review

FY 2020 is the second year of our plan to transform Burberry. Our focus in this phase is on investing to elevate our product offering, re-energise our brand and align distribution to our new luxury positioning. Against this backdrop, we made good progress in the quarter as we increased the availability of new products and continued to evolve our retail and wholesale networks.

We continued to see a strong response from consumers with Riccardo Tisci's new collections delivering double digit growth compared to the prior year. At the end of the period, new product comprised around 75% of the assortment in our mainline stores.

We also continued to drive brand heat and engage with customers in new immersive ways. Our Festive campaign achieved the highest ever number of views across major social platforms, more than doubling the prior year performance. We also continued to innovate in digital, including a digital pop-up experience powered by Google Lens in London and the launch of our first online game B-Bounce and its recent extension, "Ratberry", for our Lunar New Year campaign. These activities underpinned double digit growth year-on-year in followers and engagement rates across both Instagram and WeChat.

We maintained our focus on inspiring Chinese consumers. At the end of December we launched our Lunar New Year campaign which has generated a strong early consumer response. In addition, preparations are underway to take our Autumn/Winter 2020 runway show to Shanghai in April and open our first social retail store in Shenzhen, in partnership with Tencent, in the first half of next financial year.

In distribution, we continued to transform our global network. In retail, we opened a new flagship store at the exclusive Ginza Marronnier building in Tokyo; we continued our refreshes with around 60 cumulative stores now incorporating our new creative vision and a cumulative 16 of the smaller, non-strategic stores previously announced for rationalisation now closed. Meanwhile, in wholesale, we continued to rationalise non-luxury doors and we remain on track for the closures in the US to be largely completed by the end of the year.

Finally, we were recognised for our leading environmental and social programmes at the British Fashion Awards for our work on the UN Climate Change's Fashion Industry Charter for Action and at the Walpole British Luxury Awards for driving systemic change. As co-chair of the UN Charter's Manufacturing & Energy working group, we shared tools to help the global fashion industry reduce aggregate greenhouse gas emissions by 30% by 2030.

Financial performance and outlook*

The comparable store sales growth of +3% in Q3 was led by full price sales, driven by new product availability. However, as previously announced, this was partially offset by reduced markdown inventory made available for sale and disruptions in Hong Kong S.A.R.

We now expect FY 2020 total revenue to grow by a low single digit percentage at CER compared to previous guidance of broadly stable sales. Adjusted operating margin is expected to remain broadly stable despite the impact of disruptions in Hong Kong S.A.R. This includes cumulative cost savings of £125m, ahead of our previous guidance of £120m.

*Guidance assumes constant exchange rates, a stable economic environment, current tax legislation and excludes the impact of IFRS 16. It assumes no operational or financial impact arising as a result of the UK's exit from the EU on 31 January 2020 under the Withdrawal Agreement Bill. The impact of the adoption of IFRS 16 is now expected to be below our previous expectations of £30-£35m on adjusted operating profit and £5-£10m on profit before tax.

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 dial-in number is +44 (0)20 3059 5869 and please state that you wish to join the “Third Quarter Trading Update”. The conference call can be accessed live on the Burberry corporate website, www.burberrypc.com with a replay available later in the day.
- Burberry will announce its Preliminary results for the 52 weeks ended 28 March on 14 May

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 28 December 2019, globally Burberry had 225 retail stores, 153 concessions, 53 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.

Certain financial data within this announcement have been rounded.

Cumulative cost savings are savings compared to FY 2016 operating expenses. The savings relating to the store rationalisation programme are measured compared to the reported costs which were under IAS 17.

Appendix

At 27 December 2019 effective rates, there is no expected impact of exchange rate movements on FY 2020 reported adjusted operating profit and a benefit of £9m on revenue. This compares to guidance given in November for a £13m benefit to revenue and a £4m benefit to adjusted operating profit.

Exchange rates	Forecast effective rates for Remainder of FY 2020		Actual average exchange rates FY 2019
	27 December 2019	1 November 2019	
£1=			
Euro	1.14	1.14	1.13
US Dollar	1.28	1.28	1.31
Chinese Yuan	8.92	8.92	8.82
Hong Kong Dollar	9.93	9.97	10.26
Korean Won	1,501	1,500	1,460