

15 July 2020

## **Burberry Group plc** **First Quarter Trading Update** **Trends improving through quarter**

*“In Q1, sales were severely impacted by the drop in luxury demand from COVID-19 and we expect it will take time to return to pre-crisis levels with the resumption of overseas travel. We are encouraged by the improving trends in all regions and the promising exit rate for June. We saw an excellent response to new product launches in recovering economies as well as online. Demand for leather goods was particularly strong in Mainland China and Korea, bringing new, younger luxury customers to the brand. As we enter the second phase of our strategy, we are sharpening our focus on product and making other organisational changes to increase our agility and generate structural savings that we will be able to reinvest into consumer-facing activities to further strengthen our luxury positioning.”*

Marco Gobbetti, Chief Executive Officer

- Progressive month on month improvement through the period as stores reopened. Comparable sales declined 45% in Q1, easing to -20% in June, while growth in Mainland China and Korea in June was ahead of pre COVID-19 levels, albeit with some benefit from the repatriation of sales given COVID-19 travel restrictions
- Excellent consumer response to new product launches, including Autumn collection, Pride and Summer Monogram capsules, and Leather Goods exclusives, including resonating with new, younger customers
- Focused on rebounding economies, with initiatives tailored to each market including a Mainland China leather-goods campaign driving strong double digit full price growth in leather goods in Mainland China and Korea
- Innovated in digital to inspire customers and drive sales both online and offline
- Organisational changes proposed to increase product focus and agility and deliver savings of £55m, providing further capacity for investment in consumer facing activities
- Launched ReBurberry Edit, a curation of styles crafted from sustainable materials

### **Retail revenue 13 weeks ended June**

<b>£ million</b>	<b>27 Jun</b>	<b>29 Jun</b>	<b>% change</b>	
	<b>2020</b>	<b>2019</b>	<b>Reported FX</b>	<b>CER</b>
Retail revenue	257	498	-48%	-49%
Comparable sales*	-45%	4%		

\*See page 4 for definition

Comparable sales -45% with progressive month by month improvement as COVID-19 related government restrictions eased

- Asia Pacific declined 10% in the quarter but returned to growth in June. Within this, Mainland China grew mid-teens in Q1 but grew ahead of the January pre COVID level of 30% in June, supported by some repatriation of sales due to the COVID-19 travel restrictions
- EMEIA declined around 75%, impacted by lockdown measures and a significant reduction in travel. June sales improved but continued to be impacted by a significant headwind due to tourist flows
- The Americas declined 70% impacted by lockdown measures. However, following the easing of restrictions, trends have improved significantly into June

The financial information contained herein is unaudited

Product trends:

- All product trends negative, impacted by COVID-19 related store closures
- Continuous product outperforming benefiting from the addition of iconic continuative product
- Outperformance of tops, bottoms and small leather goods
- Leather goods full-price sales up strongly in Mainland China and Korea

### **Business review**

Q1 2021 marks the start of the third year of our journey to transform Burberry. During this period, we will strengthen the foundations we have established, adapting to the current challenging and fast changing environment and positioning the brand for acceleration and growth in the long-term. Despite the extremely difficult backdrop resulting from a global pandemic, we have made good progress in the quarter focusing on strengthening our brand, localising our plans by market, leveraging our digital platforms and enhancing our focus on product.

During Q1, we continued to excite our customers with product launches, including our new Autumn/Winter pre collection, Pride and Summer Monogram capsules, and Leather Goods exclusives. The response to these collections has been excellent, including resonating with new, younger customers and driving strong full price growth in leather goods in Mainland China and Korea.

Our product launches have been supported by innovative and highly engaging campaigns. For example our summer monogram collection campaign included a video set in a CGI geometric world featuring Kendall Jenner, a curated Spotify playlist and a new multi-player digital game called B-Surf. The campaign has generated an exceptional response from press, influencers and consumers with average reach over 60% higher than our previous monogram capsule and our most watched video ever on Instagram TV.

We have also been adopting a localised approach by market. For example, in April we launched a leather goods campaign in Mainland China. This featured a series of more sustainable pop up stores incorporating an augmented reality experience, as well as a limited edition Pocket Bag for influential fashion blogger Mr Bags' WeChat followers. The reaction was exceptional with the limited edition bag selling out within a minute of becoming available and Pocket Bag styles overall selling out within three weeks of the campaign going live.

Throughout the period, we have continued to focus on digital to drive performance. Online full price sales grew double digits in the quarter and we have continued to excite the customer through innovations like the immersive experiences and B-Surf game described above. Finally we are also leveraging our digital capabilities to bring our customers a truly omnichannel experience optimising our in store sales associate tools to allow remote customer outreach.

We are also excited that our social retail store developed in partnership with Tencent, will open in Shenzhen this summer. The experimental store will offer unique experiences that connect luxury customers' social and online lives to their physical environments using technology powered by Tencent.

As we enter the second phase of our strategy, we are making some organisational changes. As previously announced, we are evolving our approach to product, creating three new business units covering Ready-to-Wear, Accessories and Shoes. We intend to pool expertise within each unit to enhance our product focus, increase our agility and elevate

quality. We are also proposing to further streamline our office-based functions and improve our retail efficiency in certain geographies outside the UK.

Subject to consultation, we expect these changes, which include office space rationalisation, to deliver savings of around £35m in FY 2021, with annualised savings of £55m and an associated one-off restructuring charge of £45m. These savings are incremental to our previously announced £140m cumulative cost saving programme. Conditional on the macroeconomic recovery from COVID-19 and luxury industry growth, we will be able to reinvest these savings into consumer-facing activities. These include pop up stores, visual merchandising, digital activations, events as well as marketing.

In June, we spoke up in solidarity with the black community, reaffirming our core belief that there is never a place for racism. We have made a commitment to foster a culture of inclusion, equality and belonging at Burberry and have made strong progress in expanding our training, evolving our policies and setting up councils to guide us. We have also continued to support LGBTQ+ communities through Pride month and beyond by becoming the first luxury fashion brand to join the Stonewall Diversity Champions programme, forming a partnership with UK Black Pride and supporting the Albert Kennedy Trust. Making strong progress against our Responsibility agenda, in April we launched the ReBurberry Edit, a curation of 26 styles from the Spring/Summer 2020 collection made from the latest innovations in material science.

### **Financial performance and outlook FY 2021**

Throughout Q1 2021 COVID related government restrictions eased allowing the gradual reopening of our retail store network from peak closures at the end of March. This underpinned a progressive improvement in our comparable retail sales growth with June declining around 20% compared to a 45% decline for the total quarter.

Looking ahead, in the absence of full year guidance due to the macroeconomic and global health uncertainty, we are providing an indication of Q2/H1 2021 performance. The second half, and the course of the pandemic from here, will largely depend on the actions governments pursue to control the spread of the virus as economies restart, including their responses to second viral waves, as well as the phasing of store re-openings, an easing of travel restrictions, and the on-going consumer response.

We expect our second quarter (to end September 2020) to continue to be materially impacted by the pandemic. In retail, tourist flows are likely to remain negligible, and store operations are continuing to face significant headwinds, with some remaining closed and operating with reduced trading hours.

Based on our comp retail sales performance in June 2020 (-20%), we expect Q2 2021 (ended September 2020) to decline by 15% to 20%. In wholesale, we are collaborating with our partners to protect the brand and as a result anticipate H1 2021 sales declining around 40% to 50%.

Based on this trading assumption, we would expect H1 2021 gross margin to decline by around 200bps to 300bps year-on-year and operating expenses in H1 2021 to reduce by a mid-teens percentage compared to last year.

During this pandemic, we believe it is crucially important to invest in the Burberry brand. We will continue to embed flexibility into our plans to allow for investment into consumer facing activities to drive growth where opportunities present.

## Enquiries

<b>Investors and analysts</b>		020 3367 4458
Annabel Gleeson	VP, Investor Relations	Annabel.Gleeson@burberry.com
<b>Media</b>		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](http://www.burberryplc.com) with a replay available later in the day.
- Burberry will announce its Interim results for the 26 weeks ended 26 September on 12 November

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 27 June 2020, globally Burberry had 215 retail stores, 148 concessions, 54 outlets and 45 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 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. This measure is used to strip out the impact of store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has **not** excluded stores temporarily closed as a result of the COVID-19 outbreak.

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

Exchange rates	Forecast effective rates for Remainder of FY 2021		Actual average exchange rates FY 2020
	27 June 2020	1 May 2020	
£1=			
Euro	1.11	1.15	1.14
US Dollar	1.24	1.26	1.27
Chinese Yuan	8.79	8.90	8.88
Hong Kong Dollar	9.62	9.76	9.89
Korean Won	1,498	1,529	1,504