

Sector View

Luxury Goods

Burberry H2 sales down 1% underlying (stable in H1)

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-1.4%	4.1%	-2.0%	-2.2%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

*Stoxx Sector Indices

Companies covered

CHRISTIAN DIOR	BUY	EUR175
HERMES Intl	BUY	EUR355
HUGO BOSS	NEUTRAL	EUR80
KERING	BUY	EUR176
LVMH	BUY	EUR174
PRADA	NEUTRAL	HKD35
RICHEMONT	BUY	CHF81
SALVATORE FERRAGAMO	BUY	EUR25.8
THE SWATCH GROUP	NEUTRAL	CHF410
TOD'S GROUP	NEUTRAL	EUR78

Burberry H2 2015/16 (October 15 to March 16) sales declined 1% underlying (cs:stability) after stability in H1, including stability for Retail sales and -1% for wholesale. Retail performance at same stores in H2 (-2%) implies clear slowdown in Q4 (-5%) after stability in Q3 and -4% in Q2.

ANALYSIS

- Burberry has reported H2 (October-March) sales at GBP1.41bn (consensus: GBP1.42bn), implying underlying (at same forex) 1% decline (consensus was expecting stability) after stability in H1. Retail sales reached GBP1.06bn (consensus: GBP1.08bn) and remained stable at same forex (+2% in H1 and +1% on 9m) and. Retail comparable sales growth was -2% in H2 (consensus:-0.5%), implying -5% in Q4 alone after stability in Q3 and also 1% on FY. In H2, sales were down mid-single digit in Asia-Pacific (HLK down 20% but Mainland China growing), globally in line with Q3 alone, and stable in Europe, impacted by lower tourists flows (MSD increase in Q3). Lastly, in Americas, sales declined slightly in H2 after a stable Q3 performance. Five Mainline stores have been opened (eight closures) in H2 after 13 in H1 (Dubai, London, NY, Seoul) and 9 closures.
- Wholesale sales reached GBP330m (consensus: GBP331m), implying 1% decline at same forex (underlying). Excluding Beauty, wholesale sales were down 6% while Beauty sales were up 11%, driven by sell-in of Mr Burberry Men fragrance. Wholesale/retail sales were down 1 % in H2 versus +1% in H1.

NEXT CATALYSTS

- FY 2015/16 results are expected on May 18th.

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Loic Morvan, lmorvan@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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