

Sector View

Luxury Goods

Burberry FY 2016 results in line with estimates and significant three-year cost savings plan

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	0.1%	4.1%	-3.1%	-0.7%
DJ Stoxx 600	-2.4%	4.5%	-9.7%	-8.5%

*Stoxx Sector Indices

Burberry reported this morning FY results globally in line with consensus. Sales underlying declined 1% to GBP2.51bn. EBIT stood at GBP418m (consensus: GBP419m). EBIT margin declined 140bp to 16.6%. GBP100m cost saving plan over three years.

ANALYSIS

- FY sales (preliminary sales were reported mid-April) reached GBP2.51bn, almost unchanged vs 2014/15 on reported and underlying. Retail sales were up 1.7% to GBP1.83bn. Underlying retail sales remained almost unchanged and at comparable stores, retail revenues declined slightly (-1%). By geographic area, sales were down mid-single digit in APAC (with dd decline in Hong Kong), while revenues in EMIA and in Americas remained almost unchanged. Among others, stores were opened in London and in New York during the period. DOS number gained three stores (net of closures) to 487, including 214 free standing stores (215 at end march 2015). Wholesale sales remained unchanged last year.
- Adjusted 2015/16 EBIT declined 11% underlying to GBP418m (consensus: GBP419m), implying a 16.6% EBIT margin (-140bp). Dividend up 5% to 37p with 50% pay-out ratio.
- Plan to deliver GBP100m of cost savings within three years, of which GBP20m in FY 17.

VALUATION

- The stock, which is down 11% YTD, is trading in line with our luxury sample average on 2016 EV/EBIT (11.5x).

NEXT CATALYSTS

- October 2016: H1 trading update.

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