

13th July 2016

Luxury & Consumer Goods

Burberry

Price 1,203p

Unsurprisingly tough Q1 with a 3% comparable sales decline in retail (CS:-5%).

Fair Value 1200p (0%)

NEUTRAL

Bloomberg	BRBY LN
Reuters	BRBY.L
12-month High / Low (p)	1,620 / 1,041
Market Cap (GBP)	5,354
Avg. 6m daily volume (000)	2 581

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.6%	-7.5%	9.1%	0.7%
Pers & H/H				
Gds	2.6%	3.7%	6.7%	1.7%
DJ Stoxx 600	1.0%	0.5%	-2.0%	-8.1%
	03/15	03/16e	03/17e	03/18e
P/E	15.7x	17.2x	16.7x	14.5x
Div yield (%)	2.9%	3.1%	3.1%	3.1%

ANALYSIS

- Burberry has reported its Q1 2016/17 trading statement this morning (the smallest for retail) with retail sales at GBP423m (consensus: GBP412m), up 4% but stable underlying (at same forex) and -3% like-for-like (at comparable stores). The consensus was expecting a 5% lfl sales decline. The Q1 2016/17 negative trend compares with the 5% decrease in Q4 2015/16. The Q1 2016/17 comparable sales decline was particularly significant in Europe outside the UK (particularly in France and in Italy) whereas the UK registered a better trend in late June. The APAC trend (in line with the group's performance) was less negative than in previous quarters (down mid-single digit in H2 2015/16) thanks to reassuring situation in Mainland China (stable comparable sales). Excluding Hong Kong (where the company saw some improvements during the quarter but was still down double digit) and Macau, APAC sales increased. The situation remains challenging in the Americas particularly for domestic clientele.
- Furthermore, following BREXIT and GBP weakness (-7% on last month and -13M YTD), Burberry's management highlighted that the FX impact should be positive by around GBP90m on 2016/17 PBT versus the GBP50m previously expected (mid May). The situation in wholesale is deteriorating with an H1 sales decline of more than 10% (vs -10% previously) due to US.

VALUATION

- We are sticking to our Neutral recommendation with an unchanged 1,200p Fair Value. BURB is trading at 12x on 16 EV/EBIT, a 3% premium vs the peer average.

NEXT CATALYSTS

- H1 2016/17 trading statement in October 2016.

Loïc Morvan, lmorvan@bryangarnier.com



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BRYAN, GARNIER & CO

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

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