

18th October 2016

Luxury & Consumer Goods

## Burberry

Price 1,512p

Underlying sales down 4% in H1! Q2 retail sales rebound thanks to GBP weakness

Fair Value 1200p (-21%)

NEUTRAL

Bloomberg	BRBY LN
Reuters	BRBY.L
12-month High / Low (p)	1,530 / 1,041
Market Cap (GBPm)	6,686
Avg. 6m daily volume (000)	2 492

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.2%	19.8%	18.8%	26.5%
Pers & H/H				
Gds	-0.7%	-2.7%	0.0%	-0.8%
DJ Stoxx 600	-0.1%	-0.1%	-1.6%	-7.8%
	03/15	03/16e	03/17e	03/18e
P/E	19.7x	21.6x	21.0x	18.2x
Div yield (%)	2.3%	2.4%	2.4%	2.4%

### ANALYSIS

- H1 sales reached GBP1.16bn (consensus: GBP1.17bn), down 4% underlying (-3% expected by consensus). Retail sales were up 2% underlying during H1 (unchanged in Q1), implying some improvement in Q2. Retail comparable sales were almost unchanged (versus -0.5% expected by the consensus) in H1, implying +2% in Q2 alone after -3% in Q1. By region, note the low single digit comparable retail sales in APAC, in line with Q1. Although Mainland China was up mid-single digit in Q2, Hong Kong sales declined double digit in HY. The main driver of the Q2 retail sales rebound was EMEIA with a low single digit increase in H1 (low single digit decline in Q1), thanks to 30% comparable sales growth in the UK in Q2, fuelled by tourist flows. Momentum in the Americas (low single digit decline) was in line with Q1.
- However, wholesale sales were down 14% underlying (-12% expected by consensus). This decline, was slightly higher than expected and was driven by inventory control by wholesale retailers in the Americas, and in the US particularly.
- For FY 2016 guidance: wholesale sales should be down mid-teens, which is below anticipations, as it does not expect any improvement vs the H1 performance. On the other hand, the positive FX impact should be higher than initially expected with a GBP125m impact vs GBP90m previously.

### VALUATION

- The Burberry share price is almost stable YTD in EUR, almost in line with the sector average. We remain Neutral on the stock.

### NEXT CATALYSTS

- H1 results to be released on 9th November.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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