

9th November 2016

Luxury & Consumer Goods

## Burberry

Price 1,415p

H1 adj EBIT at GBP146m (down 14% underlying), globally in line with expectations

Fair Value 1350p (-5%)

NEUTRAL

Bloomberg	BRBY LN
Reuters	BRBY.L
12-month High / Low (p)	1,530 / 1,041
Market Cap (GBPm)	6,248
Avg. 6m daily volume (000)	2 730

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.4%	9.0%	20.0%	18.4%
Pers & H/H				
Gds	-6.5%	-4.8%	-0.5%	-3.3%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%
	03/16	03/17e	03/18e	03/19e
P/E	20.2x	18.3x	17.0x	15.9x
Div yield (%)	2.6%	2.6%	2.6%	2.7%

### ANALYSIS

- Sales in H1 were down 4% underlying (at same forex) to GBP1,159m and up 5% in reported terms. Retail sales (GBP859m) were up 2% underlying and retail comparable remained unchanged in H1 which implied +2% in Q2 after a 3% decrease in Q1. In H1, Asia and Americas were both down low single digit in H1 and in Q2, while in EMEA, sales were up low single digit, including high single digit growth in Q2 alone thanks to a 30% increase in retail comparable sales.
- Adjusted EBIT declined 24% underlying but was down 4% in reported terms. This was globally in line with consensus expectations (GBP143m). Adjusted EBIT margin was clearly under pressure with a 385bp decline to 9.9%. Retail/wholesale adj. EBIT was down 19% underlying to GBP134m (consensus: GBP133).
- FY guidance remains unchanged with an adjusted PBT close to GBP445m, including a positive GBP125m forex impact with current currencies. Burberry should open 15 mainline stores but with a similar number of closures. Due to larger stores openings, new space should contribute to a low single digit positive impact to retail sales.

### VALUATION

- We reiterate our Neutral recommendation with a p1,350 Fair Value.

### NEXT CATALYSTS

- Q3 trading statement to be released mid-January 2017.

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BUY ratings 72%

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