Burberry is back: H1 outperforms despite ongoing challenges

By Sandra Halliday - 11 November 2021

First-half results at Burberry on Thursday showed the luxury company making “strong progress”, with full-price sales rising in double-digits and helping margins to expand.

In the 26 weeks to 25 September, Burberry saw “an acceleration in performance in countries less impacted by travel restrictions” and it’s “confident of achieving medium-term goals”.

The big point was that revenues were back above pre-Covid levels on a currency-neutral basis, with operating profit also ahead of two years ago. The company saw retail comparable sales growth of 1% versus the same period in 2019, while full-price comparable sales gained 18% on that basis.

And it said the Americas, Mainland China and South Korea delivered strong double-digit growth vs two years ago, although other regions remained “under pressure from reduced tourist levels”.

Burberry
It did well with core product categories as leather saw double-digit growth in full-price comparable sales vs 2019 and outerwear strengthened in the period.

Meanwhile, its new store concept is “driving higher-spending customer recruitment”. It now has 15 stores in the new format with around 50 new concept stores planned globally by the end of the current financial year.

Digital is also “performing well with full-price sales almost doubling” against two years ago.

That all meant total revenue reaching £1.213 billion with adjusted operating profit at £196 million with a margin of 16.2%. That was a rise from £51 million this time last year when the adjusted operating profit margin was only 5.8%. And reported operating profit was £207 million, up from £88 million a year ago.

The company is maintaining its medium-term guidance for high single-digit top-line growth and “meaningful margin accretion” and said it’s “comfortable with current year market expectations”.

KEY POINT IN TRANSFORMATION

The current financial year “marks the first year of the growth and acceleration phase of our strategy”, it said, with its focus being on “leveraging our unique brand equity to deliver sustainable, high-quality growth, while continuing our efforts to do well by doing right”.

And it seems to be getting there. Despite a “continuing challenging external environment”, in H1 it “drove a material enhancement in the quality of our revenue streams. Our strategy to exit mainline and digital markdowns and the deliberate tight management of our outlet business resulted in a significant shift towards full-price sales”.

Regionally, full-price sales almost doubled in the Americas, South Korea grew almost 80%, and Mainland China was up over 40% “even as wide-reaching regional lockdowns and extreme weather impacted our performance in August in particular”.

It was helped by “strong, localised marketing campaigns, particularly in markets less impacted by travel
restrictions”. In the Americas, it launched a dedicated product capsule designed by Peter Saville and hosted events like the takeover of Miami's Goodtime Hotel to support its Summer Monogram capsule. In South Korea, it signed a new brand ambassador, singer and actor Cha Eun-woo, and introduced customer activations such as the immersive outerwear experience that went live on Jeju Island today.

In Mainland China, it drove engagement and performance through a “culturally relevant programme of activities, including a dedicated capsule collection and campaign for Chinese Valentine’s Day, and a series of unexpected partnerships with local Chinese artists for our summer monogram collection”.

It has also continued its focus on exciting tech such as creating its first in-game NFT and for its Summer Monogram capsule in July, adding an interactive augmented reality brand filter on TikTok that generated 3.7 billion views, “an industry and platform first”, it said.

In product, as mentioned above, it made progress in its core categories. In leather, it continued to build performance by strengthening its women's handbags pillars, leading to that double-digit full-price sales growth against two years ago.

In outerwear, it launched a dedicated campaign including a brand film, strong storytelling on key social media platforms, as well as activations across physical and digital channels. It has “innovated and elevated” its DK fabric, developing a new lightweight Gabardine, and applied it to more casual styles to create a DK down.

Full-price outerwear sales saw improving momentum in the half with Q2 increasing by 12%. Within this Jackets, Downs, Coats and Quilts grew around 50% while rainwear remained more challenging.

Menswear also performed well with full-price sales up 14% due to “good traction in jersey wear and trousers, with shoes an especially strong performer”.

But womenswear was more challenging with full-price sales up “modestly”. It saw a “good performance in trousers and knitwear, but challenges in rainwear”.

CHALLENGES REGIONALLY

As we’ve heard, the Americas and some Asian countries did very well during the period, but there were some regions that continued to face challenges. Comparable store sales may have been an impressive +37% in total, but they actually fell in South Asia Pacific as travel restrictions and temporary store closures had an impact. Japan also fell for the same reasons.

And the important EMEIA market was down 31% on a two-year basis, although it improved from -38% in Q1 to ‘only’ -25% in Q2. It was dented by low tourism levels but helped by increase is local customers.

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