Burberry annual sales and profits rise, despite Q4 headwinds

By Sandra Halliday - 19 May 2022

The year to early April looks to have been a largely good one for luxury group Burberry, despite the undeniable challenges that the company (now led by new CEO Jonathan Akeroyd) faced during the 53-week FY22 period, and the pandemic causing problems in China during Q4.
Looking at the headline figures from its preliminary results announcement, annual revenue rose 21% on a reported basis to reach £2.826 billion. It was up 23% at constant exchange rates and when comparing two 52-week periods (CER).

Comparable retail store sales were up 18% year-on-year, and also rose 6% against FY20. Meanwhile, retail full-price comparable sales rose as much as 24% against FY21 and 30% against FY20.

That 18% rise divided into a 37% leap in the first half and a 7% rise in the second half, while the 24% retail full-price comps store rise was made up of a jump of 49% in H1 and 10% in H2.

Adjusted operating profit was £523 million, up 32% against a year ago but up as much as 38% if it was looked at as a straight 52-week versus 52-week comparison. Reported operating profit rose 4% to £543 million.

So as we can see, the company is clearly progressing both on sales and profit. And it also said that it saw a "material improvement" in the quality of its sales mix, while adjusted operating profit was ahead of guidance, and its gross margin was strong.

Importantly as well, it managed to stay in positive territory during the final quarter, despite pandemic lockdowns in mainland China weighing during March. Q4 store comps grew 7% against the previous year.

Burberry said it saw overall “strong brand momentum” and an “excellent response to [our] first in-person runway show in two years”, and its continued investment in outerwear and leather goods meant full-price sales in these categories were up 39% and 28%, respectively, for the year.

It’s maintaining its guidance for high single-digit revenue growth and “meaningful margin accretion at CER in the medium term”. But it said the outlook is dependent on Covid-19 and recovery in consumer spending in Mainland China.

“While the current macroeconomic environment creates some near term uncertainty, we are actively managing the headwind from inflation”, it added.

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Looking at what was behind the performance in more detail, Burberry said full-price comparable store sales advanced 30% against a year ago as its strategy to exit mainline and digital markdowns “drove a material enhancement in the quality of our revenue streams”.

Regionally, the Americas led full-price comps growth with sales almost doubling in the US against FY20.

Such sales were also strong in South Korea (+81%) and in Mainland China (+50% compared with FY20), despite those regional lockdowns impacting the performance.
It also saw improving trends in EMEIA, despite an ongoing headwind from reduced tourists due to travel restrictions.

And it improved profitability with the adjusted gross margin, up 60bps to 70.6% at CER, despite pressures from Brexit duties and supply chain inflation.

As mentioned, Q4 saw that first in-person runway show in two years for the AW22 collection. Compared to the AW21 presentations, show views were up in triple-digits, boosting growth in followers on Instagram. Then in March, it collaborated with Supreme to launch an exclusive selection of pieces that “sold out within seconds on Burberry.com and created a lot of excitement around the stores and across social media”.

It kept a laser focus on strong, localised marketing campaigns, “engaging with customers through innovative, luxury experiences”. And its programme of brand activities in Q4 “generated strong reach and engagement globally with a triple-digit increase year-on-year in follower growth rate on Instagram and continued strength in earned reach, up [in] strong double-digits vs last year”. Plus it continued to see strong momentum on Tik Tok passing the one million follower milestone in Q4.

It has been investing heavily in transforming its flagship stores into new-concept destinations, with the company saying the new concept is “transforming how our customers experience our brand and product and is supporting revenue growth”. It said 47 stores now have the new design and it has a further 65 stores planned for FY23, meaning that by the end of the fiscal year, around a quarter of its directly-operated stores will carry the new look.

But digital also remains a key focus for the business. It has strengthened the integration between its offline and online channels, expanding its aftercare offer, enabling customers to access bespoke services via Burberry.com “and ensuring our sales associates can offer a truly omnichannel experience for consumers”.

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