

APPAREL AND ACCESSORIES

UK's Burberry sees 57pc slump in annual profit as pivot to leather goods and accessories is on

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Burberry's limited-edition mini TB bag, created by chief creative officer Riccardo Tisci and available only for 24 hours May 17 on Instagram. Image credit: Burberry

By LUXURY DAILY NEWS SERVICE

British fashion brand Burberry caught the after-effects of the COVID-19 lockdowns at the tail end of its fiscal year 2020, reporting a 3 percent drop in revenue to \$3.21 billion.

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The reported operating profit drop was steeper at 57 percent to \$230.3 million for the fiscal year ended March 28. Like its peers, Burberry has had to shut most of its retail stores worldwide, relying on digital sales to carry the load.

"Prior to COVID-19, we were delivering strong momentum across our brand and product, with sales ahead of our expectations," said Burberry CEO Marco Gobbetti in a statement from London.

"Since then, the global health emergency has had a profound impact on the world, our industry and Burberry, but I am very proud of the way we have responded," he said.

"We have taken swift action to mitigate the financial impact on our business, while prioritizing the safety and wellbeing of our teams and customers.

"We have a strong balance sheet and liquidity, with space for investment when markets recover.

"We have found new ways to strengthen our connection with consumers, drawing on our digital leadership.

"We have also mobilized our resources in support of the relief efforts. It will take time to heal, but we are encouraged by our strong rebound in some parts of Asia and are well prepared to navigate through this period.

"Now, more than ever, our strategy to secure our position in luxury fashion is key. I would like to thank our teams for their dedication and leadership during these challenging times."

Period ended	28 March 2020	30 March 2019	% change reported FX	28 March 2020 pro forma	% change pro forma vs March 2019 reported FX	CER*
£ million						
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
Retail comparable store sales*	(3%)	2%				
Adjusted operating profit*	433	438	(1)	404	(8)	(8)
Adjusted operating profit margin*	16.4%	16.1%		15.3%		
Reported operating profit	189	437	(57)	160	(63)	
Reported operating profit margin	7.2%	16.1%		6.1%		
Adjusted Diluted EPS (pence)*	78.7	82.1	(4)	77.9	(5)	(5)
Diluted EPS (pence)	29.8	81.7	(64)	29.0	(65)	
Free cash flow*	66	301		66		
Dividend (pence)	11.3	42.5	(73)			

Burberry fiscal 2020 snapshot. Source: Burberry

Digital focus with retail redesign

Like its peers, **Burberry** is strengthening its digital marketing and ecommerce operations.

The company claims it recorded double-digit growth in global digital demand in April and May this year compared to the year-ago period, despite the lockdowns in Europe, Middle East, Africa, Asia Pacific and the Americas.

The rebound in Asia has been particularly encouraging. Year-to-date sales in mainland China and South Korea are ahead of the previous year and show an improving trend, according to Burberry.

There were other encouraging signs on the brand front.

New product now accounts for nearly 85 percent of Burberry's mainline store assortment, with comparable sales in the mid-single-digits in the first nine months of the last fiscal year.

The company redesigned 64 stores to its new creative vision under chief creative officer Riccardo Tisci, including new flagship in Tokyo.

Equally important, Burberry completed the transition of its U.S. wholesale to luxury fashion.

The brand is also developing its digital chops via innovations such as games and social drops.

Finally, the dedicated Lunar New Year campaign for the China market drove reach and engagement, leading to double-digit year-on-year growth in followers and engagement on Instagram and WeChat.

More leather

Burberry said it is not in a position to provide specific guidance for fiscal year 2021, starting March 29 through next year.

The company stated that at this stage as it is challenging to predict the course of the COVID-19 coronavirus pandemic and the longer-lasting economic consequences.

However, that has not prevented the company from continuing with its pivot within the overall fashion business.

"Our strategy to establish ourselves in luxury fashion, with a greater emphasis on leather and accessories, means we are positioning Burberry towards the more resilient and fastest-growing segments of the luxury market," the company said in a statement.

"Over the last two years we have successfully established a foundational platform from which to leverage the Burberry brand over the coming years.

"This includes a new, desirable product assortment, better aligned distribution channels and improved brand perception.

"In light of the current environment, our strategy to secure our position in luxury is key."

[Please click here to download the PDF of Burberry's fiscal year 2020 annual results](#)

How Burberry makes its signature trench coat