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Burberry

First Half Trading Update Conference Call – 15th October 2015

BURBERRY

Carol Fairweather, Chief Financial Officer

Fay Dodds, Vice President, Investor Relations

QUESTIONS FROM

Thomas Chauvet, Citigroup

Louise Singlehurst, Morgan Stanley

Antoine Belge, HSBC

Thomas Forte, Brean Capital

Mario Ortelli, Sanford Bernstein

Julian Easthope, Barclays Capital

Simon Kirton, BAE Systems Pension Fund Investment Management

Annabel Gleeson, Redburn Partners

Chris Walker, Nomura

Key Highlights

Carol Fairweather, Chief Financial Officer
Good morning and welcome to Burberry's First Half Trading Update conference call. With me this morning is Fay Dodds from our Investor Relations team. I will make a few brief comments on this morning's announcement and then we will be happy to take your questions.

Total revenue for the first half was just over £1.1bn, unchanged year on year.

Wholesale and Licensing came in broadly consistent with guidance. Retail revenues slowed in the second quarter, reflecting a more challenging external environment for luxury customers – with increased global and Chinese stock market volatility, currency swings and concerns over slowing economic growth since we last spoke in mid July.

We believe this affected the confidence of, and thus demand from, luxury consumers and especially the Chinese customer in some of our key markets. However, we have taken swift action on costs, which at this point, we believe will help minimise the impact on profit for the current financial year.

So turning to Retail, revenue grew 2% in the half with comparable sales moving from 6% growth in the first quarter to a 4% decline in the second quarter with all regions slowing. Average selling price was positive in both quarters with volumes falling in Q2. Heritage trench coats, scarves and ponchos continue to outperform for the half, as did Digital.

So let me take you through the detail by region. In Asia Pacific comparable sales fell by a mid single digit in the half, decelerating from down low single digit in the first quarter, to down just double digit in the second quarter.

Reflecting the importance of the Chinese consumer in these markets, we saw sequential declines in both Hong Kong and Mainland China in the second quarter. We did however see exceptional growth from the Chinese consumer in other parts of Asia, particularly Japan, albeit off a small base, as Japan is currently only around 2% of our global Retail/Wholesale revenue.

In EMEIA we saw double digit comp growth in the first half, although it moderated to mid single digit in the second quarter.

By nationality we saw continued double digit growth throughout the half in the traveling luxury customer, which accounts for about 60% of the regions revenue, while domestic consumers slowed in the second quarter.

Translating these trends into revenue by country we saw comparable growth in excess of 20% in Italy, France and Spain in the half, while the UK was only marginally positive. Growth from Chinese customers was very significantly higher in Continental Europe than the UK, reflecting we believe the weakness of the euro against the Chinese renminbi when compared to sterling. And remember that as a British brand the UK accounts for over one third of EMEIA revenue, higher than for other luxury peers.

And finally in the Americas, we saw low single digit comp growth in the half, slowing from high single digit growth in the first quarter, to a mid single digit decline in the second quarter. Note, the Americas is our smallest retail region and the change in trend we are talking about is equivalent to only about £10m of sales. We talked earlier this year about how the pattern of demand from American customers was uneven and this trend continued in the half.

In addition to managing through a challenging second quarter from a macro perspective, in the half, we have continued to focus on and invest in our growth opportunities so let me just highlight three of these.

Firstly we are pleased with our progress in Japan, with the Burberry licence expiring this half we are expanding our retail portfolio with a flagship opening in Shinjuku Tokyo and 16 new concessions. Secondly, with the expansion of our fragrance and makeup distribution, in store and online, with new partnerships with Shiseido in Japan and Sephora globally; and thirdly with the extension of our store base in both flagship and under-penetrated markets including Seoul and Dubai.

As we look forward to the all-important second half, while we know we cannot influence the macro environment nor our geographic mix, we are anticipating a return to a more positive sales trend based on the initiatives that we already had planned and those we have refined and accelerated in recent weeks. These include our strongest ever festive plans to be launched in early November, new products including cashmere trench coats and the Scarf Bar, continuing to improve customer service, especially around the use of customer insight, and reallocating marketing spend to targeted customer groups and products.

At the same time, as part of our ongoing productivity and efficiency agenda that Christopher has talked about, we have taken swift action to control costs; from a hiring freeze to reducing travel and expenses and other discretionary costs, while still protecting investment in marketing, retail service and growth opportunities - saving millions of pounds across the business.

And finally, given the strong link between pay and performance at Burberry, we currently anticipate that this year will see a significant reduction in performance related pay, compared to both our budget and last year. While this will help protect this year's profit it will be a headwind for financial year 2017 on our current planning assumption that the charge returns to a more normalised level.

So as we said in the statement this morning, for FY'16, we now expect adjusted PBT will be broadly in line with the average of those analysts who have recently updated forecasts. Our assumptions include a return to a mid-single digit percentage growth in comparable sales in the second half, ongoing cost control, the reduction in performance related pay and a benefit of about £10m to reported profit if exchange rates remain at current levels. So thank you and we would now be happy to take your questions.

Questions and Answers

Thomas Chauvet, Citigroup

Good morning Carol and Fay and thanks for taking this call. Three questions please, the first one, you're suggesting like for like could be up mid single digits in the second half - how does the most recent trading fair - I know you usually don't talk about this, but obviously we've had Golden Week which is the first week of October, it looks like the Chinese clientele was maybe one of the key drivers behind the retail like for like slowdown in Q2, can you comment on what the overall Chinese clientele was in Q2 and at the beginning of Q3?

Secondly, on the cost cutting initiatives they look quite severe perhaps compared to what you did in September '12 when your like for like turned negative briefly. Can you comment on exactly what are the different items within the £40m-£50m and what is potentially a structural cost cutting and what is just a one off that will probably revert I would say in FY'17?

And thirdly on your comment about the categories and volume pricing, with regards to the Heritage trench coats, ponchos, Digital, which has been a key driver of like for like in the last couple of years, what was the like for like for these items in the second quarter and can you say perhaps how ASP has evolved through the half and the second quarter? Thank you.

Carol Fairweather, Chief Financial Officer

Okay thank you, so in terms of your first question in terms of like for likes for the second half, you asked specifically about recent trading and Golden Week, you know Thomas we don't talk about current trading and obviously Golden Week was the first week of October. That said we are saying that - in Mainland China we thought we moved from low single digit comp growth in Q1 to mid single digit decline in Q2. Now we believe that was driven by many of the macro effects in China, which affected local luxury consumer sentiment be it the stock market volatility, the RMB devaluation, or slowing GDP growth.

That said, in terms of the expectation that we have for H2, that is very much based on the bottoms up assumptions and work we have done with all of our regions globally, given the initiatives that we have in place, which we believe will be able to drive a return to a more positive sales trend. And that's based on the initiatives we have in place for festive across marketing, product and customer, specifically - and I can go into more details if you want, specifically around our key icons, so in terms of product, the extension of heritage, in terms of bringing in the new colours - navy and red, the launch of the Scarf Bar which we've talked to you about over the recent months, the launch of lightweight cashmere trench coats and ponchos, so those key icons we believe will help us return to a more positive trend.

And together with that we've talked about how we've very dynamically managed our way through the last quarter, so reallocating marketing spend, looking at how we're responding - visual merchandising in stores, looking at how we make sure that online and offline - we're optimising our presentation the whole time. So all of those three together back to focusing on what we can control, gives us the confidence at this point that we should be able to expect to return to a more positive sales trend in the second half.

And then your comment in terms of cost cutting, we've said that we've taken out £20m worth of costs over the course of the last quarter in relation to the full year, compared to that which we had planned to spend. And that’s across every category of discretionary costs in the business, so from headcount pause, to not replacing headcount, to being very thoughtful about T&E, to more productive ways of working - so very much encouraging our teams to work more digitally; all driven under that productivity agenda. And that £20m that we've taken out will flow through into next year because clearly we have held those costs and plan to continue to do so.

The other £20m to £30m we talked about is in relation to profit related pay and that is split between the bonus element and the long term share schemes. And based on our current expectation that is the saving for this year. Clearly as we put together our budgets and plans for future years depending on what the growth assumptions are in those plans it may be that we need to reinstate those charges, but that, as always, will be the balance between performance and pay. So the £20m that we've taken out will absolutely stay out and PRP will be folded back in, depending on our future growth expectations, which our current planning assumption is that they will be.

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Fay Dodds, Vice President, Investor Relations
And Thomas I think your third question was really asking about the balance between selling price and volume, essentially the slowdown in the second quarter was more volume related, our AUR was up in both the first quarter and the second quarter and that's kind of what you'd expect given that we believe that the slowdown in sales is macro and largely footfall related. And if you look at the products that we called out as successful in the first half it's Heritage trench, scarf, ponchos and dresses.

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Thomas Chauvet, Citigroup
And these categories are still delivering positive like for like in the second quarter?

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Fay Dodds, Vice President, Investor Relations
Yes.

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Thomas Chauvet, Citigroup
Thank you.

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Louise Singlehurst, Morgan Stanley

Hi morning, a couple of quick questions on the geographical detail that we've got here, I mean clearly, I don't think it's a surprise to see a slowdown in the US, but the decline to mid single digit is a surprise and I know Thomas has just asked about the pricing, but can you talk about if there's any price increases that have gone through for the US, what the actual volume looks like and thoughts for that region going into the second half as we sit today?

And then separately on Europe can you give us the price and volume split as well, because it looks as though it's kind of 6-ish percent growth for the second quarter?

Secondly can you tell us how does the inventory position look like, obviously I imagine the minus 4% was a surprise to everyone in terms of the planning for the inventory and the health of that?

And then I had one follow up on cost saving, but if you could do those that would be great?

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Carol Fairweather, Chief Financial Officer

Yes, so in terms of the geographic mix what we saw in the US, remember for us the US is a principally a domestic market, that was all volume related, there's nothing significant to talk about in terms of price increases in the US, so the performance we saw in Q2 in the US was a volume related decline and principally with our domestic customers, the US, as we've talked about before Louise, is a market where we believe we still have a significant way to go in terms of elevating the brand and we're still on that journey.

As we look forward to Festive, then we believe given the bottoms up analysis we've done and the stores that will be coming into comps that we should be able, in the US as well, to return to a more positive sales trend as we move through the second half.

In terms of Europe we talked before that there are low single digit price increases that have gone into Europe in April time and therefore are reflected in the numbers this half.

And then in terms of inventory we're only 15 days into the close, but I'm very comfortable with that inventory position. As you know over the last few years we have continued to increase very tight control over inventory and if you back out the sales missing in Q2, I believe that is still containable within our year-end inventory number, so nothing specific - no specific worries at this point on inventory levels.

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Louise Singlehurst, Morgan Stanley

Great and just on the thought of the mid single digit growth for the like for like in the second half, obviously you're not going to comment on current trading, you've given us the flavour around the Chinese, but is there anything that you can tell us - wholesalers, I know it's a small part of the business but is there anything particularly exciting that they're telling you about the product, or any bit of information that you can give us around that?

And then my last question on the £20m of costs, presumably they've been taken out in a relatively short period of time, on the discretionary side - can we look for any more as we go into 2017, or is the £20m the realistic assumption at this stage and can there be more taken if you deliver zero like for like in the second half?

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Carol Fairweather, Chief Financial Officer
Yes I mean in terms of the mid single digit comp for the second half and whether we've got any colour from wholesalers, I mean I think this is our internal planning assumption in terms of our own retail - clearly we've given wholesale guidance separately.

What we do know is that given the response we have had - early days yet on Scarf Bar, given what we are doing around expanding heritage, given the festive campaign, which obviously doesn't launch until the beginning of November, the focus we've put on the Book of Gifts we've got this year, we started that last year, but we've increased the distribution, we've been very thoughtful about the way we've put the product selection together, so a very giftable collection whilst also celebrating our icons.

We've got - service, we've talked to you about the investment we've made in CVM, so we've got - Customer Value Management, so we've got a very proactive campaign to reach out to those higher spending customers wherever they are shopping as we go into this key festive period. We've got a 30% increase in our Burberry Private Client sales associates. So, very much continuing to invest in those initiatives which we believe will drive this return to a more positive sales trend in the second half. And again when you talk about products, the expansion of heritage to include red and navy, Scarf Bar you've seen, ponchos continue to be very successful and then we've just launched the lightweight cashmere trench. So we are confident given what we can see in terms of products for the second quarter.

And then in terms of the £20m - second half sorry - in terms of the £20m we've taken that out - absolutely, a very swift response to what we were seeing. And as I said on the previous question that is money we've taken out compared to what we had planned to spend, and as we put our budgets together for next year obviously we will maintain that level of cost control and therefore that will roll forward into next year's numbers.

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Louise Singlehurst, Morgan Stanley
I suppose my point was as it's been a relatively short period of time to take out the £20m, is there flexibility on that £20m growing in case we don't see the mid single digit like for like, trying to work out the framework if we ...?

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Carol Fairweather, Chief Financial Officer
As we go through the quarter Louise - or the half, it gets more challenging, we've taken out now a large - almost all of our discretionary costs for the balance of the year.

Clearly we've continued to recruit in retail, we have held our marketing budgets because we're trying to balance through this - near term volatility and still making sure that we're investing wisely and thoughtfully for the long term.

PRP could be a further saving as we go through the half, if it needed to be, if that - but there's a few million pounds left there. But in terms of discretionary costs that we could take out it does become more difficult the later we get into the financial year. We could go to marketing but a lot of that money has already been committed. So we will be very rigorous as we have been on managing discretionary costs, but to manage your expectation as we go through the second half there isn't another £20m to come out.

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Louise Singlehurst, Morgan Stanley
Got it, thank you.

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Antoine Belge, HSBC
Yes good morning. Three questions. First of all I understand the geographic challenges you're facing versus peers, yet I mean the slowdown was quite sharp, so in terms of anything specific that you could have got wrong in terms especially of - there is always a fashion element in your products, something that you could have missed? And also to what extent last year in terms of - I don't know if that one truly exists but in terms of newness you obviously had a lot of new product re-launches, etc, so to what extent is this a sort of high basis of comparison in terms of new products was a headwind for you?

My second question is on actually gross margins. So you made a reassuring comment about inventories but in your guidance for the full year how do you see gross margin? Also I understand that PBT should be more or less flattish in the first half and at least qualitatively - what's the direction of gross margin.

And finally on digital on ecommerce we've noticed that your competitors are quite eager to catch up with you, and to what extent you're trying to react to that and maintain your sort of advance in that field? Thank you.

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Carol Fairweather, Chief Financial Officer
Okay so your comment in relation to Q2, was there a fashion element or a miss there, I don't think so. I think we're saying that we believe it is the macro and the way that has affected consumer sentiment and that has been effectively more amplified for us because of the geographic mix, so where the Chinese were necessarily shopping, be it in Japan or be it in Mainland Europe, we haven't seen the benefit of that, albeit we have seen nice growth from them. So I don't think there's anything that we are concerned about in terms of any sort of fashion miss in terms of the Q2 numbers. We believe it is more macro related.

In terms of gross margin nothing specific to say there. We have said earlier in the year that the geographic mix, being the fact that Hong Kong has been very challenging for us in the first half and with China now slowing, our highest margin markets, that may put a little pressure on the gross margin but nothing significantly different to call out today.

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Fay Dodds, Vice President, Investor Relations
And in terms of digital we still believe that we're very much a leader in the luxury field. You saw in the statement we talked about Snapchat and Apple as examples of further digital innovation. We know that our peers are investing in parts of ecommerce, some of them have got beautiful websites, but for us I think we've talked to you before about how it's cultural, it's very much at the heart of everything we do. And we've talked to you about how you need to have a full kind of end to end customer journey, so not only do you need a beautiful website, you need fantastic customer service, you need fulfilment. We feel that we've invested and we've got leadership there, and for our peers to catch up they need to get the cultural commitment to it and the investment end to end.

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Antoine Belge, HSBC
Okay may I just follow up? I understand so no fashion miss so to speak, but in terms of that again high basis of comparison in terms of new products, and actually I'm not just talking about the quota that you just reported, I remember that last year the festive offer was actually pretty strong and very well received, so how confident are you that you've got enough line up in terms of new products to be able to beat that high basis of comparison during the holiday season?

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Carol Fairweather, Chief Financial Officer
I think it's what I've just said to Louise. I mean we are very confident that we are even better positioned than we were last year in terms of our Festive offering. So be it we've talked over the years how we've become much more coordinated as an organisation right from our marketing to sort of the backend in terms of Festive and therefore from a product perspective as I said, the Book of Gifts, we've got the expansion of heritage, we've got Scarf Bar, more ponchos, cashmere lightweight beautiful wool trench coats. So we feel that the Festive offering this year is very strong and very well-coordinated and we're ready to execute in this all important second half.

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Antoine Belge, HSBC
Thank you.

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Thomas Forte, Brean Capital
Hi good morning. Wanted to talk a little bit more on the digital side. You had I think the brightest distribution ever as far as social networking goes on your last fashion show.

Can you talk about the impact that's had on traffic and if that's offsetting any of the slowdown that's macro related?

And then can you talk about your current mix of your one to one effort in store and also your buy online and collect in store efforts? Thank you.

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Carol Fairweather, Chief Financial Officer
Yes so I mean in terms of digital innovation and what we did around - I think you were asking what we did around the Runway show, I mean traffic - what we're really pleased about is that net-net on our commerce site this year traffic from mobile has increased significantly. So the investments we've made in mobile has been absolutely the right thing to do, we've seen a significant increase in traffic. We've also seen that the penetration of sales from mobile devices has increased significantly. So from a commerce point of view that has been great.

We also did the innovation around Snapchat and the Apple Music at the show, that's not about just driving traffic short term, that's about building brand awareness, bringing people into the brand for the longer term. So you wouldn't necessarily - we had great response in terms of the number of people that actually viewed on those platforms, but that said it is about building long term brand awareness rather than necessarily converting the next day.

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Fay Dodds, Vice President, Investor Relations
And Carol we've done that in Asia as well. So we've been working with Line in Japan and Kakao in Korea who I think are the biggest social media platform there. So it's something that we do around the world.

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Carol Fairweather, Chief Financial Officer
And then in terms of our digital offering in stores, we've now got collect in store. I think it's something like around 20% of sales. It's in 219 stores in 24 countries so very well positioned there. And of course we're still using the iPads in stores both for selling online - we've just had a soft launch recently, we've talked about merging our inventory pools initially so that the digital sales can now see - the digital inquiries can now see inventory in our stores. We've just launched that; a soft launch in the UK, but continue to innovate around digital both from a brand perspective and from a customer perspective to drive continued growth.

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Thomas Forte, Brean Capital
Thank you.

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Mario Ortelli, Sanford Bernstein
Good morning, three questions if I may. The first one in Q2 what was the evolution of sales to Chinese nationals, so regarding where they buy in your retail store? And what is your latest forecast on what percentage of your sales are down to Chinese consumers?

The second thing is about the price decreases that you made in China in April to harmonise more of the prices all around the world? It seems that they didn't keep so much volume in China. And I would like to know what is your pricing strategy going forward in China?

The last question is about if you can give us an updated view if any on capex and refurbishment for store in this fiscal year?

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Carol Fairweather, Chief Financial Officer
Okay so in terms of Chinese and you asked about what happened to the Chinese consumer globally I think you were asking, where that grew in H1, it did decline in Q2 - whilst it grew in Q1 it did decline in Q2. But that was principally in China, in Hong Kong and Macau.

We did see nice growth in the rest of Asia as I said, and particularly in Japan, albeit off a small base. And we saw strong growth and continue to see strong growth in Mainland Europe in Q2 albeit slightly slower than H1. So outside of Hong Kong and China we continued to see growth. And I think we're still saying that the sales from the Chinese globally is something between 30% and 40%.

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Mario Ortelli, Sanford Bernstein
Sorry clarification on this. So if we take Chinese nationals globally can we say that in Q2 were slightly down amid single digit?

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Fay Dodds, Vice President, Investor Relations
Slightly down, yes, having been up sort of low single digits in the first quarter. But to Carol's point most of the decline was seen by the Chinese, either at home or in Hong Kong, but we saw fab growth elsewhere in Asia, elsewhere in continental Europe and we did see growth in the UK but not as high growth.

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Mario Ortelli, Sanford Bernstein
Fantastic.

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Carol Fairweather, Chief Financial Officer
And then your comment on pricing in China, yes we did take those price decreases on certain categories in China. As we said at the time this was part of our normal pricing

strategy and we did it because as we looked at exchange rates at that time and relative to our peers, we felt that particularly on those four icons the price premium that we saw was no longer appropriate, therefore we did it not necessarily just to stimulate sales but the right thing for the brand and the customer, and we're very happy with that decision that we made. And there's no real change to our pricing strategy going forward.

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Fay Dodds, Vice President, Investor Relations
And then your final point was on capex and I think we're still guiding to about £180m for this year.

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Mario Ortelli, Sanford Bernstein
And also then number of refurbishment that you are planning for the end of the year of stores is confirmed?

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Fay Dodds, Vice President, Investor Relations
Yes I think that the mainline stores, we've said we'll open 15 to 20 and close 15 to 20, so no change there.

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Mario Ortelli, Sanford Bernstein
Fantastic, thank you.

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Julian Easthope, Barclays Capital
Thank you. Morning everyone. Just really some clarifications around the costs if I may. The £20m of savings that you've done have been basically presumably in the latter half of Q2 that these are actually put through, so is the £20m an annualised figure and therefore you will see parts of that benefit come through in the first half of next year?

Second part of the cost question, in terms of your profit related pay obviously it's just a provision in the first half as we saw last time. Are you assuming a fairly equal split in terms of the £20m to £30m between first half and second half?

And I guess sort of just following on lastly in terms of the first half, second half profitability. I think you've been saying all year that you expect the first half to be a lot weaker than the second half in terms of the splits. You didn't mention that I don't think, at least if you did I didn't see it, in the statement. Is that still your expectation?

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Carol Fairweather, Chief Financial Officer
So costs first of all Julian. So we're saying that we - during the last quarter we have identified £20m worth of costs that we had planned to spend in this year which we are

no longer spending, and therefore we will not spend them next year either, so effectively they roll over into next year. So we go into next year with our cost base £20m lower than it otherwise would have been effectively. So that's in the balance of this year.

To PRP it's made up of two elements. There's the bonus element and the long term incentive plan element, and at each half and each yearend we have to make an assessment of what we think the likely payout will be, and therefore we account for that at the half year and then the full year. So where we're sitting at the moment we are expecting a benefit - it plays to your third question, from PRP compared to the charge that we would have take in previous years. So we are taking a lower bonus charge than in previous years, and also a lower share scheme charge because LTIPs, when we look at what the charge is going to be for the full year, any true ups we have to take - accounting causes us to take them in H1.

So the total PRP charge will be lower in H1 this year than it otherwise would have been and it was in last year, and therefore that's why, as you picked up, whereas before we were thinking that profits may be more H2 weighted this year, the benefit of all that PRP will come through from an accounting perspective in H1. And therefore we're now saying that we - I mean we're only 15 days in but we would expect profits to be more broadly flat year on year in terms of H1.

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Julian Easthope, Barclays Capital
Okay, thank you very much.

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Simon Kirton, BAE Systems Pension Fund Investment Management
Hello, two questions. One in the circumstances why is the CEO not on this call?

Second question is with £600m approximately cash on the balance sheet is there any change in the strategies to what you intend to do with that?

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Carol Fairweather, Chief Financial Officer
So to your first question Simon, I mean as you know - as you probably know I always host the finance update, be them the quarterly trading updates or the calls when we do prelims and interims. Christopher clearly will present at the interims in November, but I always host the quarterly trading update call, so no change than previously there.

And in terms of the cash on the balance sheet, as we've said before we keep that under constant review as a Board and we'll do that again in our Board meeting in November, but there's no change to announce today, no.

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Fay Dodds, Vice President, Investor Relations
Let me just remind you that although we've got a net cash position, if you adjust for our leases and I think at the end of last year we had a lease adjusted net debt position of about £400m.

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Antoine Belge, HSBC
Yes just a follow up if I may. I've noticed that in the contribution from new stores was only 1% in the half and I think under my calculation it was actually 0 in Q2. Any comment on this?

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Fay Dodds, Vice President, Investor Relations
Antoine I think we've already said it's always very volatile on a quarter by quarter basis. The important thing is that we're still guiding to low single digit contributions to retail revenue from new space. I think a lot of it to do with Q1 and Q2 was rounding.

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Antoine Belge, HSBC
Okay, so not more closing activity in the period compared to the previous one?

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Fay Dodds, Vice President, Investor Relations
No. And that's consistent with the fact that we're still spending the same amount of money on capex and the store openings and closings are still within what we said previously.

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Antoine Belge, HSBC
Thank you.

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Annabel Gleeson, Redburn Partners
Oh hi just one quick one from me. Could you talk about the kind of monthly trend through Q2? Did any geographies improve towards the September month? Thank you.

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Carol Fairweather, Chief Financial Officer
Yes so we did see some improvement in China through September and we also saw some improvement in EMEIA, Americas remained pretty uneven.

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Annabel Gleeson, Redburn Partners
And if we take that, could you give us an idea of what your September like for like exit rate was?

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Carol Fairweather, Chief Financial Officer
I don't think we ever disclose month on month exit rates Annabel, all we're saying is that we did see some improvement in China and in EMEIA as we tracked through the quarter.

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Annabel Gleeson, Redburn Partners
Okay thank you.

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Chris Walker, Nomura
Yeah good morning. I had a couple of follow ups really. Firstly you mentioned a couple of the stores moving from space line into the comp store in the second half of the year. Could you just remind us which stores they are and if they are material?

And then secondly just on Hong Kong trends, just wondering how the comp evolves throughout the third quarter and the fourth quarter? You mentioned you're a bit more confident on the second half like for like just based on that comp. Thank you.

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Carol Fairweather, Chief Financial Officer
Yes we've got several of our bigger stores going into comp, so we've got Rodeo Drive, we've got San Fran coming in, we've got Hong Kong Airport in Asia, we've got Osaka coming in. So yes several of our bigger stores coming - as I said we built this forecast bottoms up, so we've got several reasonably significant stores that will be contributing to comp in the second half.

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Fay Dodds, Vice President, Investor Relations
And in terms of Hong Kong it just decelerated in the second quarter compared to the first quarter, and it is just a very challenging market still.

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Chris Walker, Nomura
Sorry I was thinking more in terms of last year. So as we move into the third quarter what will be annualised third quarter and fourth quarter?

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Carol Fairweather, Chief Financial Officer
Yes I think last year we saw Q3 was sort of mid single digit down and Q4 it had gone to high single digit down.

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Chris Walker, Nomura
Great, thank you.

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Carol Fairweather, Chief Financial Officer
So in conclusion the first half has been challenging for luxury customers with the effect amplified by our geographic mix, but as you've heard we have initiatives in place which we believe will return sales to a more positive trend in the second half while actively and responsibly managing costs, always looking to protect the brands and grow the business appropriately.

So thank you very much and we look forward to speaking to you again on 12th November when we announce our interim results.

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END