

Burlington Stores (BURL) 2Q17 Results: Beats on EPS and Revenue, Raises FY17 Guidance

Figure 1. Burlington Stores 2Q17 Key Metrics

| | 2Q17 | 2Q16 | YoY Change |
|---------------------|--------|--------|------------|
| Revenues (USD Bil.) | \$1.36 | \$1.26 | 8.6% |
| Gross Margin | 40.7% | 39.6% | 110 bps |
| SG&A/Sales | 27.1% | 27.0% | 10 bps |
| Operating Margin | 6.2% | 4.8% | 140 bps |
| Adjusted EPS (USD) | \$0.72 | \$0.39 | 84.6% |

Source: Company reports/FGRT

- Burlington Stores reported 2Q17 adjusted EPS of \$0.72, up from \$0.39 in the year-ago quarter and above both the \$0.51 consensus estimate and the company's own guidance. Total revenues were \$1.36 billion, up 8.6% year over year and slightly above the \$1.35 billion consensus estimate.
- Comparable-store sales rose by 3.5% during the quarter, compared with a 5.4% increase in the year-ago quarter and ahead of both the 2.8% consensus estimate and the company's guidance of 2%–3%. Comp growth was driven by an increase in traffic and units per transaction.
- The company raised its FY17 adjusted EPS guidance to \$4.11–\$4.18 from \$3.86–\$3.96; consensus calls for full-year EPS of \$3.98. Burlington Stores expects FY17 comp growth of 2.0%–2.5%, versus the 2.4% consensus estimate.

2Q17 Results

Burlington Stores reported 2Q17 adjusted EPS of \$0.72, beating the \$0.51 consensus estimate. The company's bottom line was helped by a 10-basis-point improvement in its product-sourcing costs as a percentage of sales and an increased merchandising margin.

Revenues were \$1.36 billion, up 8.6% year over year, which was above the company's guidance of 6.7%–7.7%. Revenues beat the \$1.35 billion consensus estimate. Burlington Stores reported that its gross margin was 40.7%, 110 basis points higher than in the year-ago period, driven primarily by lower markdowns and higher initial markups.

Total comps for the quarter rose by 3.5%, compared with a 5.4% increase in the year-ago quarter, driven by an increase in traffic and units per transaction. Conversion and average unit retail were flat compared with the same period last year.

The top-performing businesses were home, beauty (driven by bath, cosmetics and fragrances), men's sportswear, men's shoes, athletic shoes and handbags. By region, the Southeast, Midwest and Northeast were the best performers, while the Southwest and West underperformed the company average.

Outlook

Burlington Stores raised its FY17 adjusted EPS guidance to \$4.11–\$4.18 from \$3.86–\$3.96; consensus calls for full-year EPS of \$3.98. The company expects FY17 comp growth of 2.0%–2.5% versus the 2.4% consensus estimate. The company raised its FY17 revenue guidance from 7.3%–8.1% to 8.4%–8.9% (including the 53rd week), implying revenue of \$6.02–\$6.05 billion. The consensus calls for FY17 revenues of \$6.02 billion.



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Burlington Stores expects 3Q17 adjusted EPS of \$0.58–\$0.61, compared with the \$0.59 consensus estimate, and it expects comp sales to increase by 2%–3%. The company expects revenues to increase by 6.7%–7.7% in 3Q17, implying revenue of \$1.43–\$1.45 billion; consensus calls for revenue of \$1.44 billion.

Management noted that it sees significant opportunities to increase penetration across several categories, including home, beauty and women’s apparel. The company also plans to rebuild assortments in social dresses and suits, and to make investments in the plus-size category. Burlington Stores plans to open 37 net new stores in FY17.



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