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JOURNALISTE :Russ Mould
► 29 juillet 2025

Quiet luxury is out. That's great news for this British fashion giant as it looks to bounce back

Trading update is no great thing of beauty, but it is early in boss's turnaround plan and patience could be rewarded

RUSS MOULD
QUESTOR
STOCK PICKS

AFTER a wild and scary ride, we are back to break-even in our Burberry position. This gives us the option to check out of the British fashion giant without any undue portfolio damage, but it is early in the turnaround sought by chief executive Joshua Schulman.

For the moment, we are inclined to give him and the company the benefit of the doubt, even if the headline figures do not entice at first glance.

This month's first-quarter trading update was no great thing of beauty either. Comparable store sales for the three months to June fell 1pc year on year at the retail arm, and that came on top of a 21pc plunge in the equivalent period a year ago. Yet that was still better than the analysts' expectation of a 3pc decline.

Moreover, it does seem as if things have stopped getting worse, and if they have stopped getting worse then at some stage they might just start getting better – especially if Schulman's plans to reinvigorate the brand and product ranges come to fruition.

At least "quiet luxury" is out, according to my daughter's editions of *Vogue*, and a return to favour for luxury would at least provide a more encouraging backdrop, despite the uncertain macroeconomic environment.

Last year's operating loss and absence of a dividend mean investors have to buy in to the turnaround plan for them to be even vaguely optimistic about Burberry's share price maintaining its momentum – it is up 85pc in a year and by more than double from the autumn 2024 lows.

A price-to-earnings ratio of more than 80 for the year to March 2026 and forecasts of a 6pc operating margin show just how much work the luxury goods specialist has to do after a terribly difficult two years.

Analysts only expect a 12pc operating margin by March 2028, well below the 20pc-plus return on sales generated by leading plutocratic product makers such as LVMH and Richemont.

A return to the 16pc level that prevailed between 2016 and 2021 would leave Burberry on 17 times 2028 earnings, and a dash to 20pc would put it on a tempting 13 times. Again, we are long way from that, but the worst may be behind Burberry and patience could yet get a reward.

Questor says: Buy

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Ticker: BRBY
Share price at close: £13.72

Update: Genus
We are off to a fast start with Genus and already have a paper gain of about 25pc to show for our initial analysis back in spring. This month's year-end update reads well and offers more than enough hints to suggest that our investment thesis for the genomics expert is still on the mark. The trading statement revealed that adjusted pre-tax profit for the year to June 2025 would be at least £72m, even though unhelpful foreign exchange movements cost the company some £8.4m.

Of Genus's two divisions, Pig Improvement Company (PIC) continued to perform strongly, and the bovine-oriented American Breeders Service (ABS) showed some signs of improved momentum. In the latter case, things can hardly get any worse given that US cattle inventory languishes at 70-year lows. Any upturn here could bring benefits to ABS. Its expertise in genomics helps dairy farmers increase the chances of cows giving birth to female calves suitable for dairy production or young more suited to beef production.

Perhaps most importantly of all, the trading statement flags the first tangible benefits of American regulatory approval from the Food and Drug Administration (FDA) for Genus's PRRS (Porcine Reproductive and Respiratory Syndrome) Pig Resistant Programme (PRP). FDA approval opens the way to commercialisation of PRP and is already triggering milestone payments from partner companies, as evidenced by the £3.7m received from Beijing Capital Agribusiness.

Such payments should help cash flow too, and as a result Jorgen Kokke, the chief executive, signalled a reduction in net debt. This is a further boost for the investment case, as Genus's record for free cash flow generation in the past few years is spotty at best.

As it is, the forecast of £72m in pre-tax income for the fiscal year just ended would be a record for the FTSE 250 index member, yet the share price still stands at less than half 2021's peak, even after the recent run.

Questor says: Buy
Ticker: GNS
Share price at close: £24.75

Russ Mould is investment director at AJ Bell, the broker

Read Questor's rules of investment before you follow our tips: telegraph.co.uk/go/questorrules

Burberry

BUY

The brand's share price is up 85pc in a year and by more than double from the autumn 2024 lows

'A return to favour for luxury would at least provide a more encouraging backdrop'

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Key numbers

- ◆ Market value: £4.9bn
- ◆ Turnover*: £2.4bn
- ◆ Pre-tax profit*: £64m
- ◆ Yield*: nil
- ◆ Most recent year's dividend†: nil
- ◆ Net debt†: £1.1bn
- ◆ Return on capital†: negative
- ◆ Cash conversion ratio†: neg.
- ◆ p/e ratio*: 84.8

* March 2026 est
† March 2025