

CEO LETTER



MARCO GOBBETTI
CEO

WE HAVE MADE GOOD EARLY PROGRESS AS WE MOVE TO THE EXECUTION OF OUR STRATEGY

I am delighted to introduce Burberry's annual report for FY 2017/18, my first as CEO.

This was a good year and our results represent strong execution through a period of transition. Customers responded well to our innovation in product. Our conversion improved as we focused globally on retail excellence. Our top customers increased their spend and our digital channels outperformed. We also saw some encouraging early signs regarding our new strategy to deliver sustainable long-term value for shareholders.

FY 2017/18 PERFORMANCE

Burberry reported FY 2017/18 revenues of £2.7bn, up 2% at constant exchange rates, excluding Beauty wholesale. Adjusted operating profit was £467m, up 5% at constant exchange rates (reported operating profit was £410m, up 4% at reported rates). We also delivered £44m of incremental cost savings in FY 2017/18, ahead of plan, putting us on track to deliver the target of £100m cumulative savings in FY 2018/19, and £120m of cumulative annualised costs savings by FY 2019/20.

OUR STRATEGY

As the Chairman noted in his letter, the luxury industry is evolving at a rapid pace. Today's customers demand creativity, curation, excitement, innovation and personalisation at every turn and competition is intensifying.

With this in mind, in November we outlined a multi-year strategy to re-energise our products, our communication and the experiences customers have of our brand, while maintaining our focus on driving productivity, simplifying our business and strong financial discipline.

Our vision is to establish Burberry's position firmly in luxury fashion. I strongly believe that by sharpening our positioning in the most rewarding and enduring segment of the market, we will drive sustainable growth and higher margins over time, while continuing to deliver attractive returns.

A STRONG TEAM

Throughout the year, we have focused on building the team to develop and deliver our strategy. This has included promoting great internal talent and bringing in fresh expertise from outside Burberry. This will continue across the business as we strengthen our operating model.

In March, we welcomed Riccardo Tisci as Burberry's new Chief Creative Officer. Riccardo is one of the most talented and influential designers of our time. His designs have a contemporary elegance and his skill in blending streetwear with high fashion is highly relevant to today's luxury consumer. I am excited about how he will reshape our offer and confident he will reinforce our ambitions in luxury fashion.

At the same time, we bid farewell to Christopher Bailey. I would like to echo Sir John's comments about Christopher and acknowledge his immense contribution to Burberry over the past 17 years. He leaves an incredible legacy and strong foundations on which we can build the future of the brand.

I would also like to thank Sir John ahead of his departure in July. Sir John has presided over a period of extraordinary change since becoming Chairman in 2002 as Burberry evolved into one of the world's most valuable luxury brands. I am particularly grateful for his guidance and partnership.

EARLY PROGRESS

Over the last six months, we have focused on building the right platform for transforming Burberry. While the task is still before us, the first steps we implemented to re-energise our brand are showing promising early signs.

We have introduced tighter, more productive collections and stepped up the frequency of deliveries of fresh product, attracting new customers and top-tier clients. We have created a new architecture for handbags with a pipeline of innovative launches planned from Spring 2018. Underpinning our ambitions in this key category, we have announced plans to create a centre of excellence for leather goods with the acquisition of a business from a renowned Italian developer and supplier of luxury leather handbags and accessories.

We have started to evolve the way we communicate with our customers, introducing several exciting new collaborations across product, brand and experiences. We have refreshed our digital platforms, with more curated and editorialised content, generating increased customer engagement.

In line with our strategy to reach a younger, digitally-savvy fashion consumer, we successfully launched an innovative collaboration with Farfetch. This opened up our full inventory to a third-party for the first time and expanded our reach to more than 150 countries around the world.

As part of efforts to embed the customer more closely in everything we do, we restructured the central retail and customer teams, creating a Retail Centre of Excellence. Our retail metrics are already benefiting, with improvements in conversion and significant business from appointments.

We held productive conversations with our wholesale partners with regard to evolving our distribution, while making some strategic retail store closures.

In terms of operational excellence, we are delighted to have opened Burberry Business Services in the heart of Leeds. The new office brings together shared services from Finance, HR and Procurement, Customer Service and IT. Agile and efficient, it is already generating savings and helping improve service.

OUR VALUES

As a global company with more than 10,000 employees across 35 countries, creating shared purpose and unifying around aligned values and behaviours is vital to the successful delivery of our vision. This year, we have made good progress on our commitment to engage employees, empower our leaders, strengthen capabilities, expand our talent plans and simplify how we work.

With a supply chain network of thousands more people worldwide, we also have an opportunity to drive positive sustainable change across every part of our footprint. In this regard, we have set ourselves ambitious goals through to 2022 to address our social and environmental impacts, while supporting the Burberry Foundation in creating long-term partnerships that fuel innovation and transform communities.

We are also committed to narrowing our gender pay gap and making further progress on issues of diversity, gender and ethnic representation.

OUTLOOK

Given the scale of our ambition for the brand, and the significant amount of change in the business over the last 12 months, we have made a positive start to the execution of our strategy. We are on track with our plans and our teams are energised by the opportunity ahead.

I would like to thank Burberry employees and partners for their work in FY 2017/18 and especially for their support to me in my first year as CEO. The innovative spirit that has defined Burberry for more than a century burns brightly as we embark on the next phase of Burberry's transformation.

MARCO GOBETTI
CEO