

# BURBERRY

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2015**

**CHRISTOPHER BAILEY**

—

**CHIEF CREATIVE AND  
CHIEF EXECUTIVE OFFICER**

**CURRENT INITIATIVES**

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**FINANCIAL REVIEW**

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**LONGER-TERM OPPORTUNITIES**

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**QUESTIONS**

## H1 PERFORMANCE

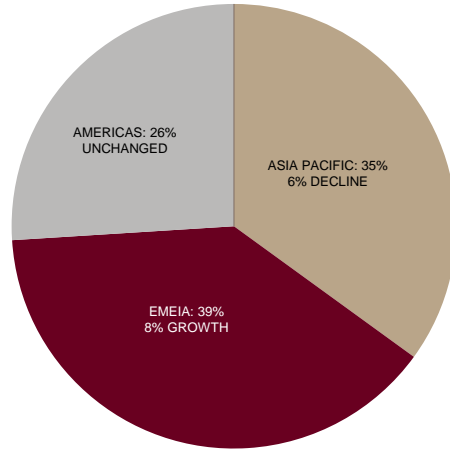
### ROBUST FINANCIAL PERFORMANCE IN H1

- Adjusted retail/wholesale profit up 5% underlying

### RETAIL COMPS SLOWED FROM UP 6% IN Q1 TO DOWN 4% IN Q2

### FOUR MACRO DRIVERS

- Slowing spend from Chinese customers globally
- Continued sector-wide deceleration in Hong Kong
- Shift of Chinese spend to continental Europe and Japan
  - We are underweight compared to peers
- Uneven performance in the United States, both domestic and tourists



**REVENUE BY REGION**  
H1 2015 RETAIL/WHOLESALE REVENUE  
% GROWTH ON UNDERLYING BASIS

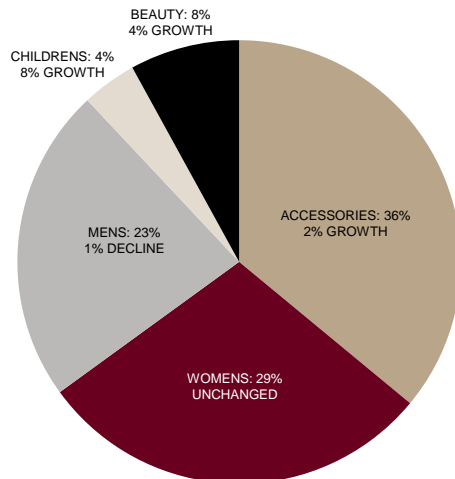
## H1 ACTIONS

### PRODUCT

- Address challenge in outerwear excluding rainwear
- Optimise opportunities in replenishment and fashion

### RETAIL SERVICE / MARKETING

- Extend CVM and Private Client teams
- Reallocate marketing



**REVENUE BY PRODUCT DIVISION**  
H1 2015 RETAIL/WHOLESALE REVENUE  
% GROWTH ON UNDERLYING BASIS

## **DRIVING PRODUCTIVITY AND EFFICIENCY**

### **FOCUS ON PRODUCT, RETAIL AND PROCESSES**

#### **COST EFFICIENCY**

- Action since July to deliver c.£20m of savings against plan in FY 2016

#### **PRODUCTIVITY**

- Ongoing IT system upgrade
- Single pool of inventory
- Move from three labels to one

## **PLANS FOR FESTIVE**

### **FESTIVE CAMPAIGN LAUNCHED LAST WEEK**

#### **NEVER BEEN BETTER PREPARED FOR FESTIVE**

- Product, marketing and service

#### **COMPARABLE SALES SINCE START OF Q3 IMPROVED RELATIVE TO Q2**

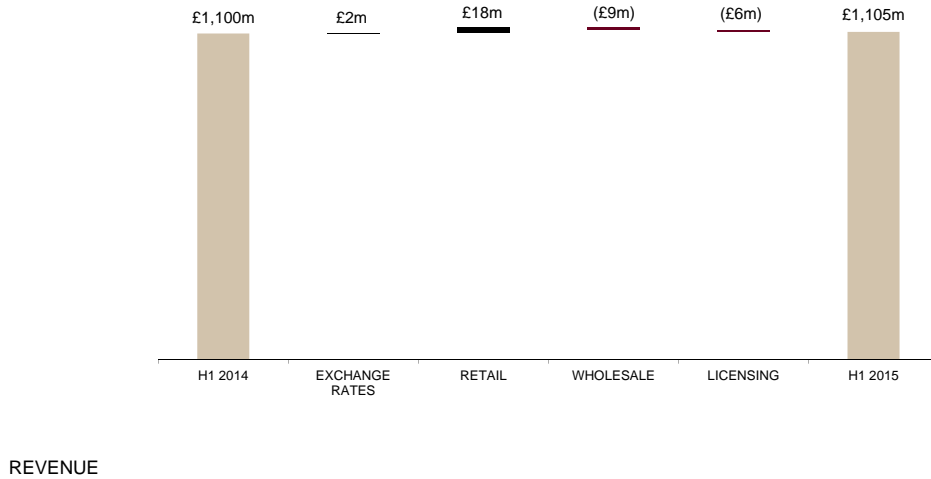


**CAROL FAIRWEATHER**  
—  
**CHIEF FINANCIAL OFFICER**

**FINANCIAL HIGHLIGHTS**

<b>SIX MONTHS TO 30 SEPTEMBER</b>	<b>2015 £M</b>	<b>2014 £M</b>	<b>CHANGE</b>	
			<b>UNDERLYING</b>	<b>REPORTED FX</b>
REVENUE	1,105	1,100	0%	0%
ADJUSTED PBT	152.9	152.3	3%	0%
ADJUSTED DILUTED EPS	26.0p	25.4p		2%
NET CASH	459	307		
DIVIDEND PER SHARE	10.2p	9.7p		5%

## REVENUE UNCHANGED



## REVENUE UNCHANGED

### RETAIL

- 70% of revenue
- 2% underlying growth; up 3% at reported FX
- Comparable sales up 1% (Q1: up 6%; Q2: down 4%)
- Opened 13 mainline stores
- Digital outperformed

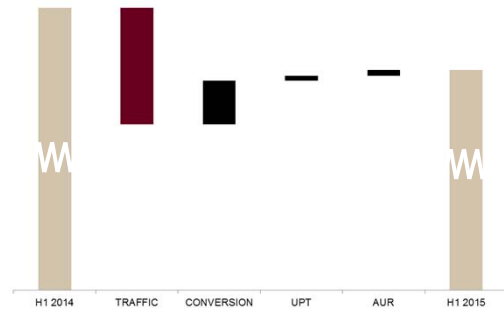
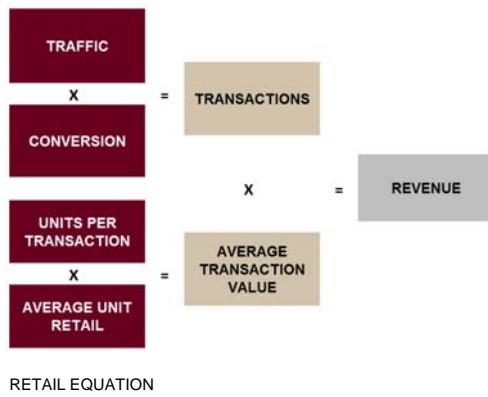
### WHOLESALE

- 28% of revenue
- Down 3% underlying; down 4% at reported FX; broadly consistent with guidance
- Apparel and accessories down by mid single-digit %
- Beauty up low single-digit %

### LICENSING

- 2% of revenue
- 18% underlying decline; down 25% at reported FX
  - Consistent with full year guidance

## HONG KONG



KEY DRIVERS IN H1  
For illustrative purposes only

## HONG KONG - KEY ACTIONS

### INTENSE FOCUS ON

- Product
- Customer service
- Marketing

### TIGHT CONTROL OF COSTS

- Rent
- Retail headcount

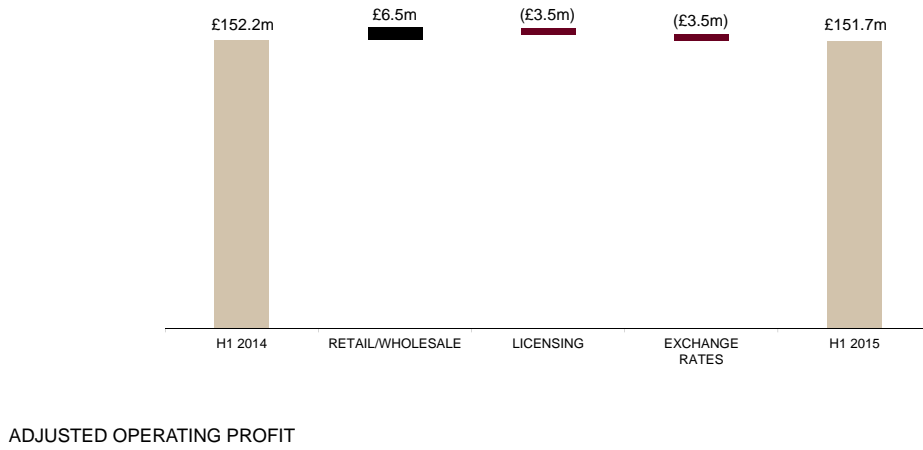
### MARKET STILL HIGH MARGIN

- All stores profitable

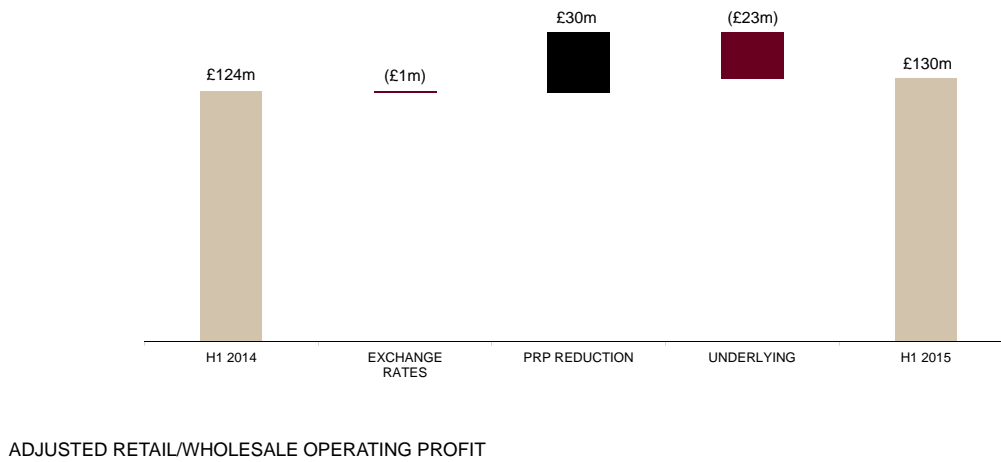


PACIFIC PLACE, HONG KONG

**ADJUSTED OPERATING PROFIT UP 2% UNDERLYING**



**RETAIL/WHOLESALE PROFIT UP 5% UNDERLYING**





## RETAIL/WHOLESALE PROFIT

SIX MONTHS TO 30 SEPTEMBER	2015 £M	2014 £M	CHANGE
RETAIL/WHOLESALE REVENUE	1,078.4	1,065.3	1%
GROSS MARGIN	740.5	720.5	
<i>AS % OF REVENUE</i>	<i>68.7%</i>	<i>67.7%</i>	<i>100bp</i>
OPERATING EXPENSES	(610.8)	(596.2)	
<i>AS % OF REVENUE</i>	<i>(56.7%)</i>	<i>(56.0%)</i>	<i>(70bp)</i>
ADJUSTED OPERATING PROFIT	129.7	124.3	4%
<i>AS % OF REVENUE</i>	<i>12.0%</i>	<i>11.7%</i>	<i>30bp</i>

## RETAIL/WHOLESALE PROFIT

### **GROSS MARGIN UP 100 BPS TO 68.7%**

- Increase due to one-off inventory charge incurred in H1 2014, relating to previous fragrance launch
- Positive channel mix offset by geographic mix
- Marginal FX benefit

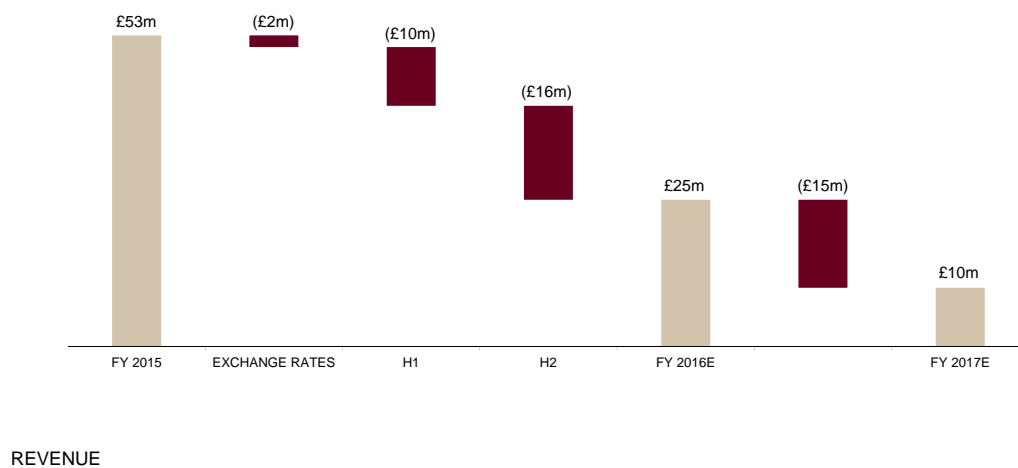
### **OPEX TO SALES UP 70 BPS TO 56.7%**

- About £30m reduction in performance-related pay in H1
- Continued investment in stores, marketing and technology

### **TAKEN SWIFT ACTION TO CONTROL COSTS**

- c.£20m reduction in full year against plan, H2 weighted

## JAPAN LICENSING REVENUE



## LICENSING

SIX MONTHS TO 30 SEPTEMBER	2015 £M	2014 £M
REVENUE	26.1	34.7
GROSS MARGIN AT 100%	26.1	34.7
OPERATING EXPENSES	(4.1)	(6.8)
OPERATING PROFIT	22.0	27.9
<i>OPERATING MARGIN</i>	<i>84.3%</i>	<i>80.4%</i>
£/YEN RATE	175	157

2015 INCLUDES NEGATIVE FX IMPACT OF £2.4M IN REVENUE AND GROSS MARGIN AND NIL IN OPEX

## INCOME STATEMENT

SIX MONTHS TO 30 SEPTEMBER	2015 £M	2014 £M
ADJUSTED OPERATING PROFIT	151.7	152.2
NET FINANCE INCOME	1.2	0.1
ADJUSTED PROFIT BEFORE TAX	152.9	152.3
ADJUSTING ITEMS	1.8	(10.5)
PROFIT BEFORE TAX	154.7	141.8
TAX	(33.7)	(33.4)
NON-CONTROLLING INTEREST	(1.5)	(3.9)
ATTRIBUTABLE PROFIT	119.5	104.5

## INCOME STATEMENT

### NET FINANCE INCOME OF £1.2M

- Income on cash balances partly offset by facility fees

### ADJUSTING ITEMS OF £1.8M

- £7.5m amortisation of fragrance and beauty licence intangible asset charge (2014: £7.5m)
- £9.3m China put option liability finance income (2014: £3.0m charge)

### EFFECTIVE TAX RATE OF 23.0% ON ADJUSTED PBT FOR FY 2016 (FY 2015: 23.4%)

### NON-CONTROLLING INTEREST OF £1.5M

- Primarily reflects profit in China

## CASH INFLOW FROM OPERATIONS

SIX MONTHS TO 30 SEPTEMBER	2015 £M	2014 £M
ADJUSTED OPERATING PROFIT	151.7	152.2
DEPRECIATION AND AMORTISATION	63.1	58.7
EMPLOYEE SHARE SCHEME COSTS	3.3	16.6
(INCREASE) IN INVENTORIES	(42.9)	(62.1)
(INCREASE) IN RECEIVABLES	(2.1)	(33.9)
INCREASE/(DECREASE) IN PAYABLES	(8.1)	16.8
OTHER	2.4	1.0
CASH INFLOW FROM OPERATIONS	167.4	149.3

## IMPROVING INVENTORY MANAGEMENT

### INVENTORY DOWN 2% AT CONSTANT FX

- Replenishment about one-third of total

### BENEFITING FROM INVESTMENT IN TECHNOLOGY AND PLANNING

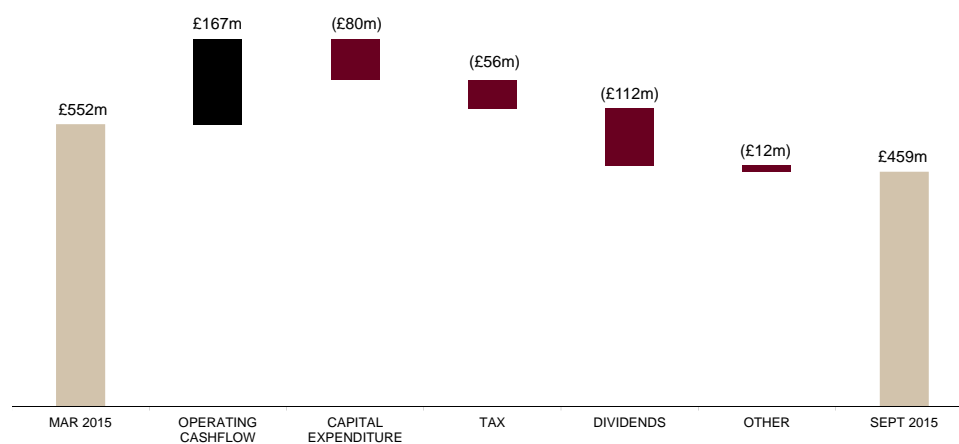
- Automated allocation live globally

### TEST TO HOLD MORE SCARF INVENTORY CENTRALLY

- Encouraging early results



### MOVEMENT IN NET CASH



### MOVEMENT IN NET CASH

SIX MONTHS TO 30 SEPTEMBER	2015 £M	2014 £M
CASH INFLOW FROM OPERATIONS	167.4	149.3
CAPITAL EXPENDITURE	(80.1)	(73.0)
NET INTEREST	1.7	0.1
TAX PAID	(56.4)	(61.0)
OTHER	0.5	-
FREE CASH FLOW	33.1	15.4
DIVIDENDS	(112.5)	(102.5)
ESOP TRUST PURCHASES/OTHER	0.9	(10.4)
EXCHANGE DIFFERENCE	(14.9)	1.9
MOVEMENT IN NET CASH	(93.4)	(95.6)
NET CASH AT 31 MARCH	552.2	402.5
NET CASH AT 30 SEPTEMBER	458.8	306.9

**CHALLENGING ENVIRONMENT**  
—  
**EXECUTING OUR STRATEGIES  
TO DELIVER SUSTAINABLE  
PROFITABLE GROWTH**

**FY 2016 OUTLOOK**

<b>RETAIL</b>	Low single-digit % growth in retail revenue from net new space
<b>WHOLESALE</b>	Broadly unchanged at constant FX in H2 – Apparel and accessories down mid single-digit % – Beauty up double-digit %
<b>RETAIL/WHOLESALE PROFIT</b>	If exchange rates remain at current levels*, no material benefit to reported profit compared to FY 2015 rates
<b>LICENSING</b>	Down about 40% at constant FX
<b>INTEREST</b>	c.£2m
<b>UNDERLYING TAX RATE</b>	c.23%
<b>DIVIDEND POLICY</b>	Moving towards around 50% full year payout based on adjusted diluted EPS in FY 2016
<b>CAPITAL EXPENDITURE</b>	c.£180m
<b>DEPRECIATION/AMORTISATION</b>	c.£140m

\* SEE APPENDIX

- EXCLUDES £15M AMORTISATION OF FRAGRANCE AND BEAUTY LICENCE INTANGIBLE ASSET

**CHRISTOPHER BAILEY**  
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**CHIEF CREATIVE AND  
CHIEF EXECUTIVE OFFICER**

**LOOKING FORWARD**

**FUNDAMENTALS OF LUXURY INDUSTRY ARE CHANGING**

– Our goal is to outperform

**STRONG BRAND MOMENTUM**

- Grounded in iconic products; made in the UK
  - Early success from Scarf Bar
  - Plans for new trench coat manufacturing and weaving facility in Yorkshire
- Combined with digital innovation
  - Apple music
  - Snapchat
  - LINE
  - Kakao



## GROWTH OPPORTUNITIES

### BY CHANNEL

- Improve retail disciplines to drive retail productivity
- Use customer insight to drive loyalty and conversion
- Build on leadership position in digital

### BY REGION

- Japan
- United States

### BY PRODUCT

- Leather goods
- Outerwear
- Beauty



SHINJUKU, TOKYO

# BURBERRY



## **APPENDIX**

## **DISCLAIMER**

**Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this presentation should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This presentation does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.**

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## ADJUSTED MEASURES

All metrics and commentary in this presentation are at reported FX and exclude adjusting items unless stated otherwise.

Adjusting items are:

- A charge of £7.5m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2014: £7.5m)
- Put option liability finance income of £9.3m in the reported net finance income relating to the third party 15% economic interest in the Chinese business (2014: £3.0m charge)

Underlying performance is presented in this presentation as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group.

Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates, compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.

Certain financial data within this presentation have been rounded.

## EXCHANGE RATES

£1=	FULL YEAR EFFECTIVE RATES FOR FY 2016			AVERAGE EXCHANGE RATES	
	31 October 2015	30 September 2015	8 July 2015	H1 2015	H1 2014
EURO	1.39	1.37	1.39	1.39	1.24
US DOLLAR	1.54	1.52	1.53	1.54	1.68
CHINESE YUAN RENMINBI	9.71	9.62	9.52	9.62	10.38
HONG KONG DOLLAR	11.96	11.82	11.90	11.94	12.98
KOREAN WON	1,755	1,772	1,727	1,743	1,721
YEN*	177	176	177	175	157

\* FOR LICENSING REVENUE, TAKING INTO ACCOUNT THE CURRENT HEDGED POSITIONS

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