

**BURBERRY**

*London, England*

**PRELIMINARY RESULTS  
FOR THE TWELVE MONTHS ENDED  
31 MARCH 2016**

**CHRISTOPHER BAILEY**

**FY 2016 REVIEW**  
—  
**FUTURE AMBITION**  
—  
**PRODUCT**  
—  
**RETAIL PRODUCTIVITY**  
—  
**GROWING E-COMMERCE**  
—  
**FINANCIAL AMBITION**  
—  
**QUESTIONS**

**FY 2016 HIGHLIGHTS**

**CHALLENGING EXTERNAL ENVIRONMENT**

**REFLECTED IN FINANCIAL PERFORMANCE**

- Revenue down 1% underlying to £2.5bn
- Adjusted PBT down 10% underlying to £421m
- Strong cash generation
- Dividend up 5%
- Starting share buyback of up to £150m

**COMPARABLE SALES UP 3% EXCLUDING HONG KONG  
AND MACAU**

**DIGITAL GREW IN ALL REGIONS**



## **BRAND FIRST**

**FULL LAUNCH IN JAPAN**

**MOVE TO ONE LABEL**

**DIGITAL COLLABORATIONS**



SHINJUKU, TOKYO

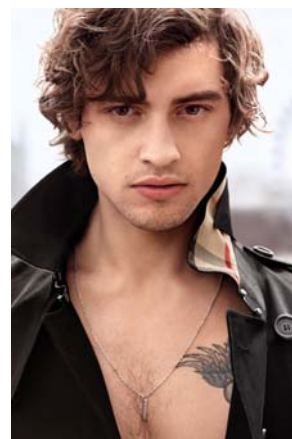
## **FAMOUS FOR PRODUCT**

**SCARF BAR**

**RUNWAY RUCKSACK**

**LAUNCH OF MR BURBERRY FRAGRANCE**

**NEW MANUFACTURING FACILITY IN LEEDS**



## **CUSTOMER-CENTRIC**

**MORE PERSONALISED EXPERIENCES**

**MERGING PHYSICAL AND DIGITAL**

**EVOLVING THE RUNWAY SHOW**



## **PRODUCTIVE AND RESPONSIBLE**

**ROLLED OUT FIRST PHASE OF IT UPGRADE**

**SAVED OVER £25M OF DISCRETIONARY COSTS IN FY 2016**

**FIRST TIME INCLUSION IN DOW JONES SUSTAINABILITY INDICES**

**FIRST APPRENTICESHIP SCHEME**

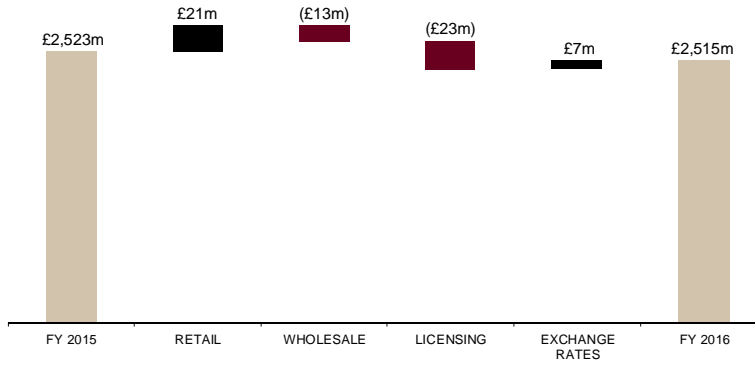


## CAROL FAIRWEATHER

### FINANCIAL HIGHLIGHTS

12 MONTHS TO 31 MARCH	2016 £M	2015 £M	CHANGE	
			REPORTED FX	UNDERLYING
REVENUE	2,515	2,523	-	(1%)
ADJUSTED PBT	421	456	(8%)	(10%)
ADJUSTED DILUTED EPS	69.9p	76.9p	(9%)	
NET CASH	660	552	20%	
DIVIDEND PER SHARE	37.0p	35.2p	5%	

## REVENUE DOWN 1% UNDERLYING



REVENUE

## REVENUE DOWN 1% UNDERLYING

### RETAIL

- 73% of revenue
- Up 1% underlying, up 2% at reported FX
  - Comparable sales down 1% (H1: up 1%; H2: down 2%)
- Opened 18 mainline stores
  - Including in flagship markets of New York, Seoul and Tokyo
- Digital grew in all regions

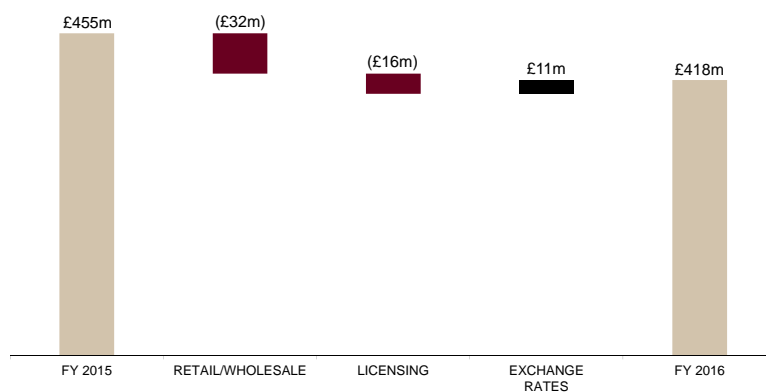
### WHOLESALE

- 25% of revenue
- Down 2% underlying and at reported FX
  - Excluding Beauty, down 6% underlying
  - Beauty up 8% underlying

### LICENSING

- 2% of revenue
- Down 33% underlying, slightly better than guidance
  - Due to planned expiry of Japanese Burberry licences

## ADJUSTED OPERATING PROFIT DOWN 11% UNDERLYING



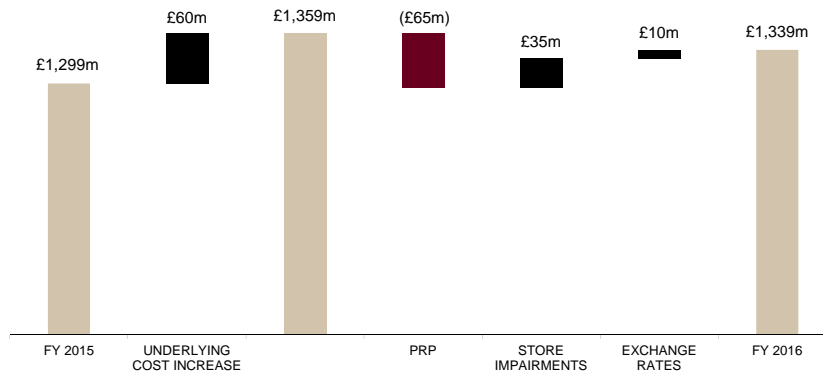
ADJUSTED OPERATING PROFIT

## RETAIL/WHOLESALE PROFIT

12 MONTHS TO 31 MARCH	2016 £M	2015 £M	CHANGE
RETAIL/WHOLESALE REVENUE	2,472.3	2,455.5	1%
GROSS MARGIN	1,720.3	1,697.8	
<i>AS % OF REVENUE</i>	69.6%	69.2%	40bp
OPERATING EXPENSES	(1,339.4)	(1,298.6)	
<i>AS % OF REVENUE</i>	(54.2%)	(52.9%)	(130bp)
ADJUSTED OPERATING PROFIT	380.9	399.2	(5%)
<i>AS % OF REVENUE</i>	15.4%	16.3%	(90bp)

AT CONSTANT FX, FY 2016 RETAIL/WHOLESALE OPERATING MARGIN WAS 14.9%

## OPERATING EXPENSES



ADJUSTED RETAIL/WHOLESALE OPERATING EXPENSES

## LICENSING PROFIT

12 MONTHS TO 31 MARCH	2016 £M	2015 £M
REVENUE	42.4	67.7
GROSS MARGIN AT 100%	42.4	67.7
OPERATING EXPENSES	(5.5)	(11.7)
OPERATING PROFIT	36.9	56.0
<i>OPERATING MARGIN</i>	<i>87.0%</i>	<i>82.7%</i>
£/YEN RATE	177	164

FY 2016 INCLUDES NEGATIVE FX IMPACT OF £2.7M IN REVENUE AND GROSS MARGIN AND NIL IN OPEX



## INCOME STATEMENT

12 MONTHS TO 31 MARCH	2016 £M	2015 £M
ADJUSTED OPERATING PROFIT	417.8	455.2
NET FINANCE CREDIT	2.8	0.6
ADJUSTED PROFIT BEFORE TAX	420.6	455.8
ADJUSTING ITEMS	(5.0)	(11.2)
PROFIT BEFORE TAX	415.6	444.6
TAX	(101.0)	(103.5)
NON-CONTROLLING INTEREST	(5.1)	(4.8)
ATTRIBUTABLE PROFIT	309.5	336.3

## INCOME STATEMENT

### NET FINANCE INCOME OF £2.8M

- Income on cash balance offset by facility fees

### ADJUSTING ITEMS OF £5.0M

- £14.9m amortisation of fragrance and beauty licence intangible asset charge
- £9.9m China put option liability finance income

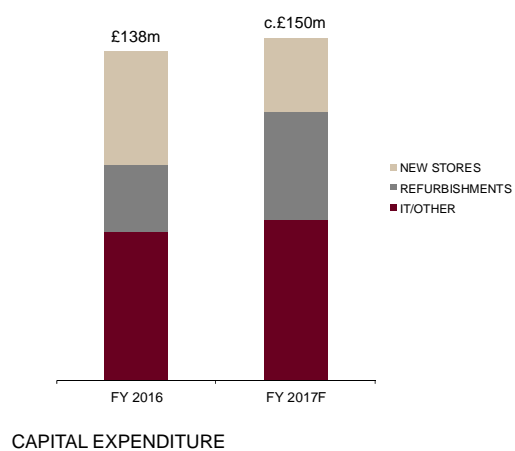
### EFFECTIVE TAX RATE OF 24.7% ON ADJUSTED PBT (FY 2015: 23.4%)

- c.24% expected in FY 2017

## CASH INFLOW FROM OPERATIONS

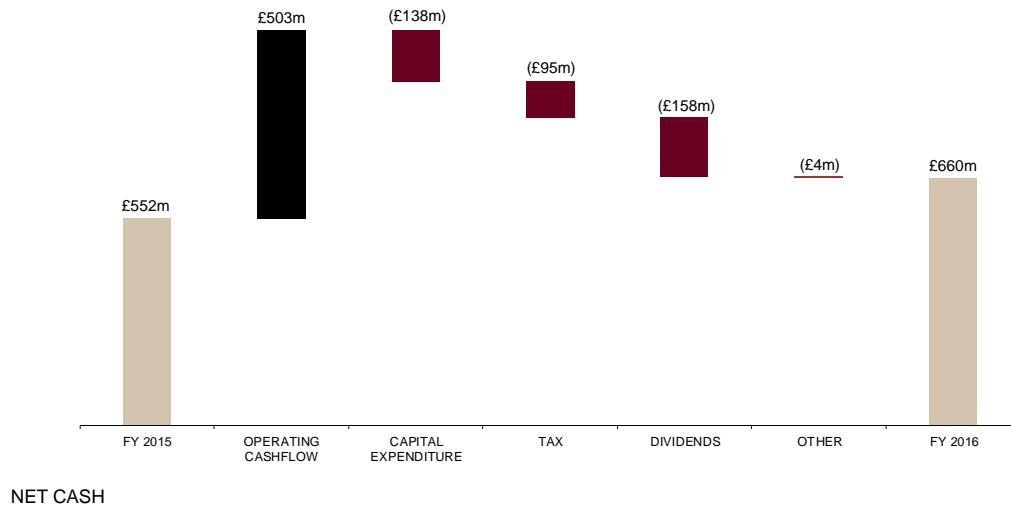
12 MONTHS TO 31 MARCH	2016 £M	2015 £M
ADJUSTED OPERATING PROFIT	417.8	455.2
DEPRECIATION AND AMORTISATION	132.2	123.7
EMPLOYEE SHARE SCHEME COSTS	(0.3)	21.0
INCREASE IN INVENTORIES	(49.3)	(15.1)
INCREASE IN RECEIVABLES	(33.3)	(44.0)
INCREASE IN PAYABLES	9.1	19.7
OTHER	26.8	7.6
<b>CASH INFLOW FROM OPERATIONS</b>	<b>503.0</b>	<b>568.1</b>

## CAPITAL EXPENDITURE



SHIN KONG PLACE, BEIJING

### MOVEMENT IN NET CASH



### MOVEMENT IN NET CASH

12 MONTHS TO 31 MARCH	2016 £M	2015 £M
CASH INFLOW FROM OPERATIONS	503.0	568.1
CAPITAL EXPENDITURE	(138.0)	(155.7)
ACQUISITIONS	-	(3.4)
NET INTEREST	3.1	1.2
TAX PAID	(94.8)	(114.4)
OTHER INFLOWS	0.5	1.7
FREE CASH FLOW	273.8	297.5
DIVIDENDS	(158.4)	(145.3)
ESOP PURCHASES/OTHER	(8.7)	(16.4)
EXCHANGE DIFFERENCE	1.4	13.9
MOVEMENT IN NET CASH	108.1	149.7
NET CASH AT 31 MARCH	660.3	552.2

# CHRISTOPHER BAILEY

## CHANGING LUXURY ENVIRONMENT

### STRONG HISTORICAL GROWTH

- 7% average annual growth since 2010

### GROWTH NOW TEMPERING

- Low single-digit % growth on average over next five years

### LUXURY MARKET £200BN AND GROWING

### KEY CHANGES

- Digital innovation
- Customer behaviour
- Demographic shifts



## **HOW WE WILL CHANGE**

**TRACK RECORD OF CHANGE**

**STEP CHANGE IN PRODUCTIVITY AGENDA**

**SIGNIFICANT GROWTH POTENTIAL ACROSS EXISTING BUSINESS**

- Product
- Retail
- E-commerce

**ENABLED BY CHANGING OUR WAYS OF WORKING**



**FROM PRODUCT BREADTH  
TO PRODUCT FOCUS**

**FROM NEW SPACE  
TO PRODUCTIVE SPACE**

**FROM DIGITAL PROWESS  
TO E-COMMERCE LEADERSHIP**

## CHANGING OUR WAYS OF WORKING

**CRUCIAL TO UNLOCK GROWTH POTENTIAL**

**IN-DEPTH REVIEW OF ORGANISATION FOR THE FUTURE**

- Right size
- Right shape
- Right capabilities

**PROGRAMME TO DELIVER ANNUALISED COST SAVINGS  
OF AT LEAST £100M BY FY 2019**



## BUILD ON EXISTING STRENGTH IN PRODUCT



## FROM PRODUCT BREADTH TO PRODUCT FOCUS

### WHAT WE ARE DOING DIFFERENTLY

- Reduce assortment and amplify newness and excitement
- Tailor assortment to local customer
- Rebalance marketing activity
- Leverage offer at opening and higher price points
- Prioritise key categories

### ENABLED BY CHANGING OUR WAYS OF WORKING

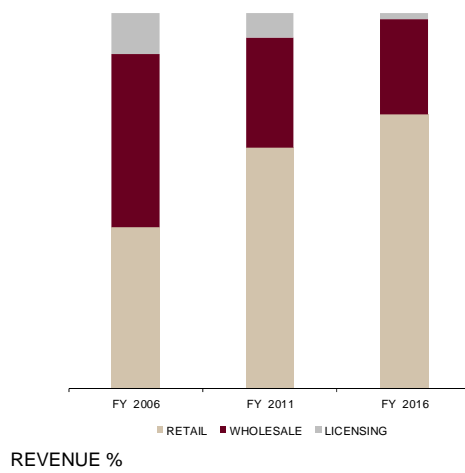
- End-to-end category management
- Restructure merchandising process





**DONALD KOHLER**  
—  
**RETAIL EXCELLENCE**

**SHIFT TO RETAIL CREATES OPPORTUNITIES**

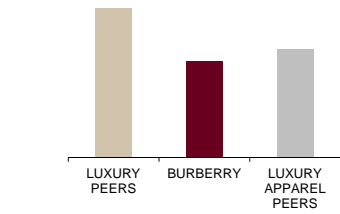


REGENT STREET, LONDON

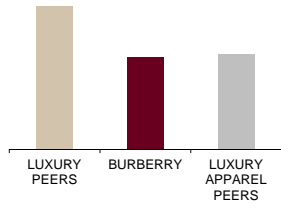


SEOUL, KOREA

## SIZING THE OPPORTUNITY



CONVERSION %



SALES PER SQUARE FOOT

SOURCE: COMPANY AND INDUSTRY ESTIMATES

### DIFFERENT PRODUCT MIX TO PEERS

#### OPPORTUNITIES TO IMPROVE

- Conversion
- Customer retention
- Sales density

## ELEVATE OUR RETAIL EXPERIENCE TO WORLD CLASS LEVEL OVER TIME

### SERVICE



### CULTIVATION



### OPERATIONS



### PRODUCT



## SERVICE

**GOAL: DELIVERING TRUE LUXURY SERVICE WITH A BURBERRY DIFFERENCE**

**OPPORTUNITIES**

- New assessment and hiring criteria for stores
- Enhanced training
- Introducing Net Promoter Score



## CULTIVATION

**GOAL: PUTTING CULTIVATION AND RETENTION AT THE HEART OF EVERYTHING WE DO**

**OPPORTUNITIES**

- Grow Burberry Private Client (BPC) team
- Extend Customer Value Management (CVM) programme; integrate with marketing strategy
- Enhanced digital selling tool in store
- Focus on local customer



## **PRODUCT**

**GOAL: OFFER THE RIGHT PRODUCT IN THE RIGHT PLACE**

### **OPPORTUNITIES**

- Simplification of visual merchandising standards
- Showroom set as a retail store
- Further assortment reduction
- New assortment/buying model implemented, including store profiling



## **FOUR PILLARS OF RETAIL EXCELLENCE**

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**INITIATIVES UNDERWAY**

—

**FOCUS ON LOCAL CUSTOMER**

—

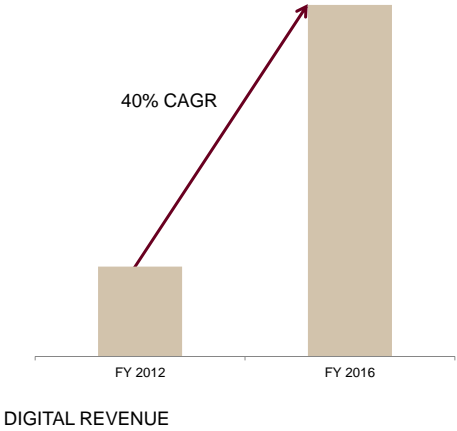
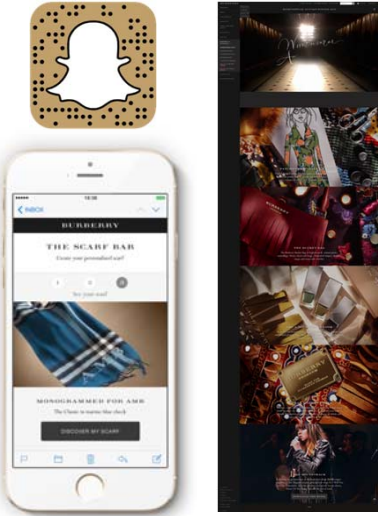
**RETAIL MINDSET**

—

**CHANGING OUR WAYS OF WORKING**

**JOHN SMITH**  
—  
**GROWING E-COMMERCE**

**DIGITAL AS A DIFFERENTIATOR**



## FOUR ELEMENTS TO DIGITAL STRATEGY

### ACQUISITION & RETENTION



### E-COMMERCE



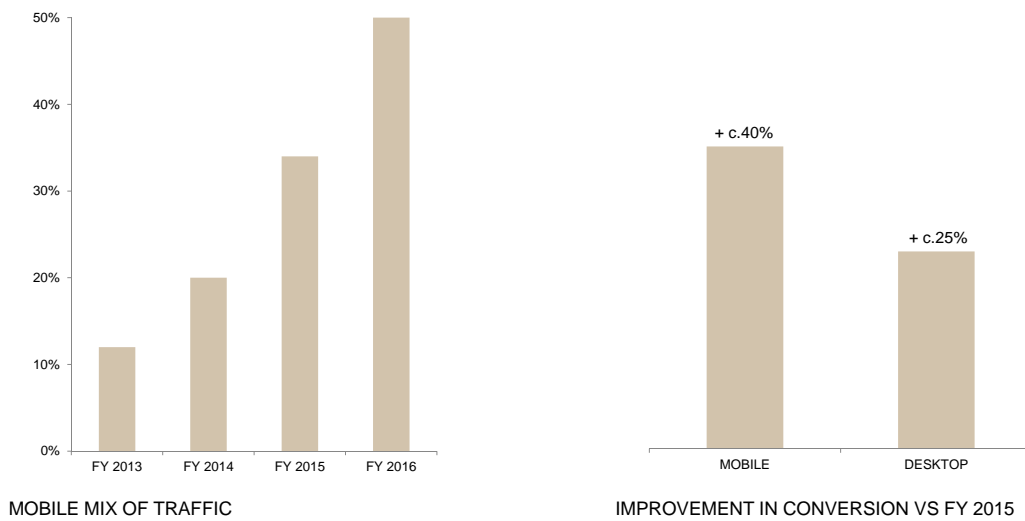
### DIGITAL IN STORE



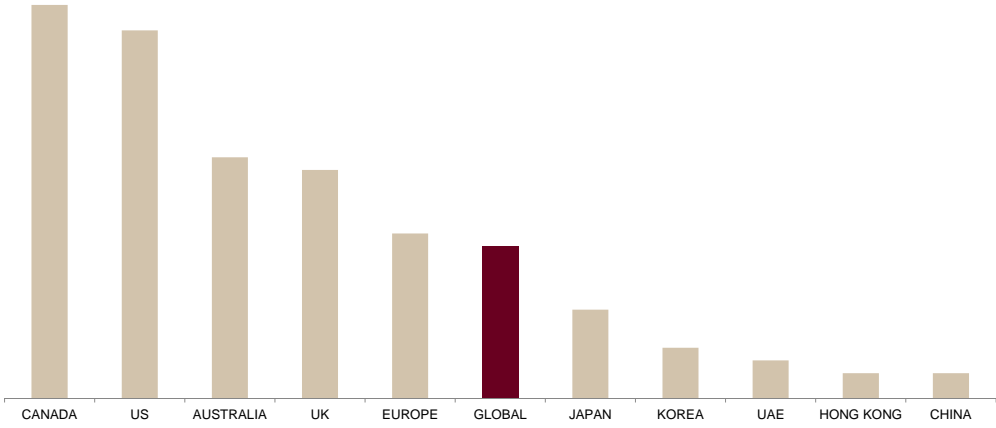
### OMNI-CHANNEL LEADERSHIP



## CAPITALISE ON THE MOBILE OPPORTUNITY

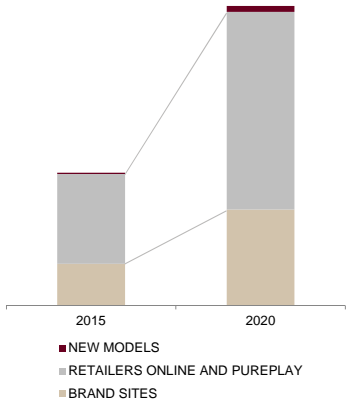


### GROW DIGITAL IN ASIA



DIGITAL AS % OF RETAIL SALES\*  
 \* MAINLINE STORES AND DIGITAL

### GROW WITH THIRD PARTIES



**PARTNERSHIP MODEL**

- Reputation
- Reach
- Revenue

**THIRD PARTY DIGITAL PLAYERS**

- To drive two-thirds of sector e-commerce growth
- Continue to experiment with new business models

LUXURY ONLINE REVENUE £BN  
 SOURCE: COMPANY AND INDUSTRY ESTIMATES

## CREATE INDUSTRY LEADING OMNI-CHANNEL EXPERIENCES

**BLURRING PHYSICAL AND DIGITAL**

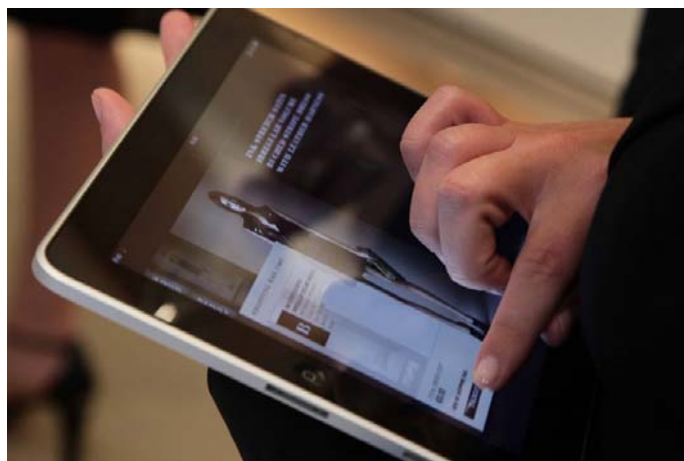
**ROLL OUT SINGLE POOL OF INVENTORY**

**ENABLE TRUE OMNI-CHANNEL CUSTOMER JOURNEY**

- Currently across our retail and digital
- In future, extend to third parties



## INVESTMENT IN PEOPLE AND CAPEX





**CHANGE**

—

**INNOVATE**

—

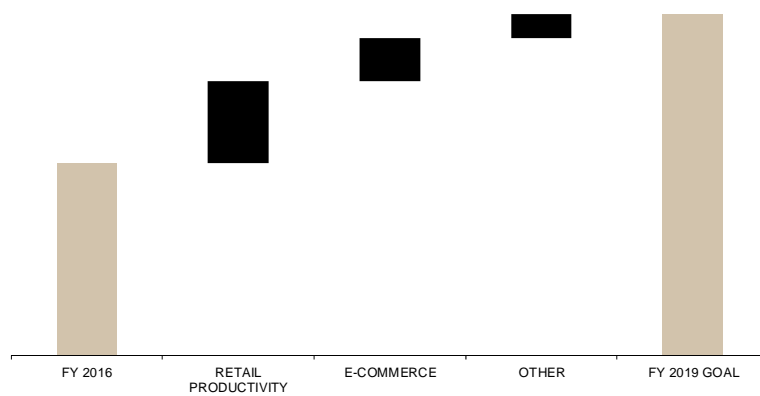
**GROW**

—

**INVEST**

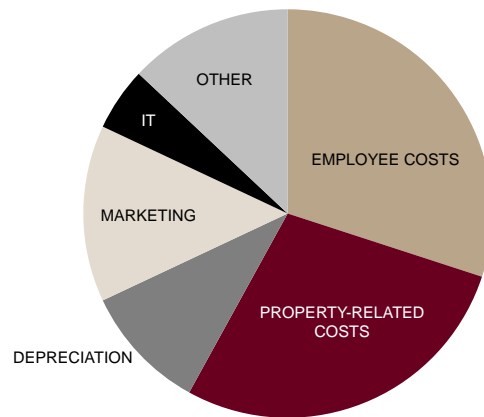
**CAROL FAIRWEATHER**  
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**FINANCIAL AMBITION**

**OUTPERFORMING LUXURY SECTOR GROWTH**



REVENUE £M  
NOT TO SCALE

## OPERATING EXPENSES



FY 2016 ADJUSTED OPERATING EXPENSES\*

\* EXCLUDING AMORTISATION OF FRAGRANCE AND BEAUTY LICENCE INTANGIBLE OF £15M AND STORE IMPAIRMENTS/ONEROUS LEASE PROVISIONS OF £45M

## FINANCIAL AMBITION

### REVENUE

- Outperform luxury sector growth

### INVESTMENT

- About £10m in FY 2017
- About £20-25m per annum for next two years

### COST SAVINGS

- Around £20m in FY 2017
- At least £100m annualised by FY 2019

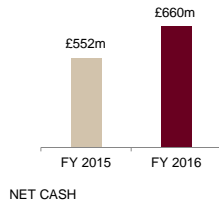
### ONE-OFF COSTS

- Around £60m across the first two years

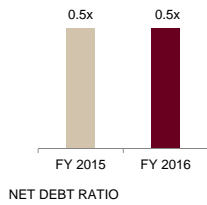
### PERFORMANCE-RELATED PAY CHARGE

- Around £20m new charge in FY 2017
- On top of £20m existing charge

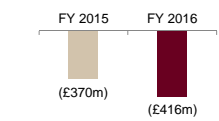
## CAPITAL STRUCTURE



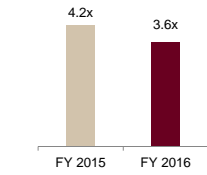
NET CASH



NET DEBT RATIO



LEASE-ADJUSTED NET DEBT



FIXED CHARGE COVER

\* SEE APPENDIX FOR DEFINITIONS

**PRIORITISE INVESTMENT IN BUSINESS**

**MOVE TO PROGRESSIVE DIVIDEND**

**BEYOND THIS, REVIEW**

- Cash generation
- Relevant financial parameters

**COMMENCING SHARE BUYBACK**

- Up to £150m starting in FY 2017
- Future returns under regular review

**CHRISTOPHER BAILEY**

**BUILDING ON EXISTING STRENGTHS**

—

**CONFIDENCE IN STRATEGIES  
FOR THE FUTURE**

—

**RELENTLESS FOCUS ON GROWTH  
AND PRODUCTIVITY**

—

**UNLOCKED THROUGH CHANGING  
OUR WAYS OF WORKING**

—

**DRIVING OUTPERFORMANCE**

## **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 presentation (18 May 2016). Nothing in this announcement 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 announcement 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:

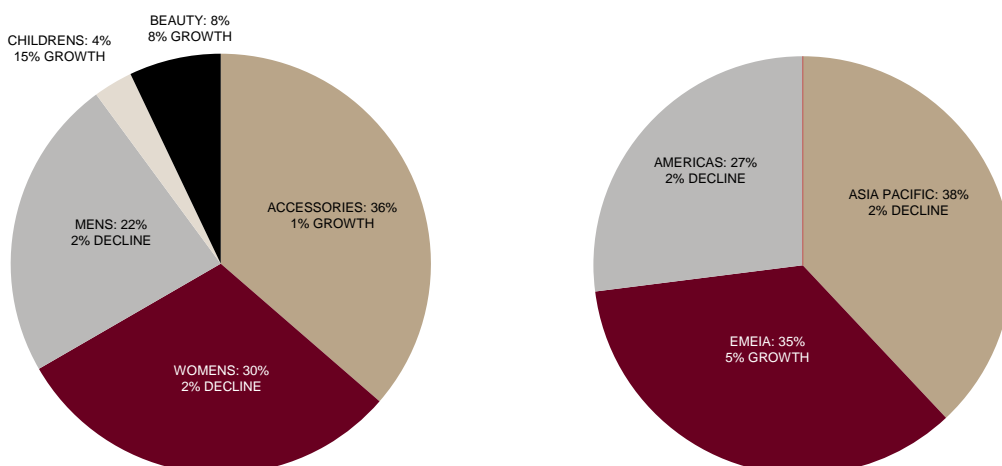
- A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2015: £14.9m)
- Put option liability finance income of £9.9m in the reported net finance income relating to the third party 15% economic interest in the Chinese business (2015: income of £3.7m)

Underlying performance is presented in this document 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 on foreign currency procurement and sales through the Group's UK supply chain.

Certain financial data within this presentation have been rounded.

## REVENUE BY PRODUCT DIVISION AND REGION



FY 2016 RETAIL/WHOLESALE REVENUE  
% GROWTH ON UNDERLYING BASIS

## FY 2017 OUTLOOK

<b>RETAIL</b>	Low single-digit % growth in retail revenue from net new space
<b>WHOLESALE</b>	Down around 10% at constant FX in H1
<b>LICENSING</b>	Down by about £20m at constant exchange rates
<b>RETAIL/WHOLESALE PROFIT</b>	If exchange rates remain at current levels* reported profit will be about £50m higher than at FY 2016 rates
<b>INTEREST</b>	c.£3m
<b>UNDERLYING TAX RATE</b>	c.24%
<b>DIVIDEND</b>	Moving to progressive dividend policy, with FY 2017 at least in line with FY 2016
<b>CAPITAL EXPENDITURE</b>	c.£150m
<b>DEPRECIATION/AMORTISATION-</b>	c.£140m

\* EFFECTIVE RATES AS AT 30 APRIL 2016, TAKING INTO ACCOUNT THE CURRENT HEDGED POSITIONS  
 - EXCLUDES £15M AMORTISATION OF FRAGRANCE AND BEAUTY LICENCE INTANGIBLE ASSET

## KEY BALANCE SHEET METRICS

<b>12 MONTHS TO 31 MARCH</b>	<b>2016</b>	<b>2015</b>	
NET CASH (£m)	660	552	Lease-adjusted net debt is defined as five times minimum lease payments less net cash
LEASE-ADJUSTED NET (DEBT) (£m)	(416)	(370)	Net debt ratio is defined as lease-adjusted net debt divided by EBITDAR (being operating profit plus depreciation and amortisation plus minimum lease payments)
NET DEBT RATIO (x)	0.5	0.5	Fixed charge cover is defined as EBITDAR/ interest plus minimum lease payments
FIXED CHARGE COVER (x)	3.6	4.2	All metrics exclude adjusting items. Minimum lease payments now exclude expenses relating to onerous lease provisions of £20.1m in FY 2016 and £6.5m in FY 2015



## EXCHANGE RATES

£1=	FORECAST FULL YEAR EFFECTIVE RATES FOR FY 2017		AVERAGE EXCHANGE RATES FOR	
	30 April 2016	31 March 2016	FY 2016	FY 2015
EURO	1.29	1.26	1.36	1.28
US DOLLAR	1.46	1.44	1.50	1.60
CHINESE YUAN RENMINBI	9.44	9.29	9.57	9.94
HONG KONG DOLLAR	11.33	11.16	11.67	12.42
KOREAN WON	1,661	1,640	1,740	1,709
YEN*	172	174	177	164

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

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