BURBERRY

INTERIM RESULTS FOR
THE SIX MONTHS ENDED
30 SEPTEMBER 2017
AND
STRATEGIC UPDATE
AGENDA

INTRODUCTION

INTERIM RESULTS

ESTABLISHING POSITION
FIRMLY IN LUXURY

OUR FINANCIAL AMBITION

CLOSING REMARKS
**H1 2018 FINANCIAL HIGHLIGHTS**

**Revenue +4% Underlying**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£1,159 m</td>
<td>£1,263 m</td>
</tr>
</tbody>
</table>

**Adjusted Operating Profit +17% Underlying**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£144m</td>
<td>£185m</td>
</tr>
</tbody>
</table>

**Adjusted Diluted EPS +32%**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.4p</td>
<td>32.3p</td>
<td></td>
</tr>
</tbody>
</table>

**Interim Dividend Per Share +5%**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.5p</td>
<td>11.0p</td>
<td></td>
</tr>
</tbody>
</table>

*Reported performance measures are shown in the appendix to these slides*
## H1 2018 Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Six months to 30 September</th>
<th>2017 £m</th>
<th>2016 £m</th>
<th>Reported FX</th>
<th>Underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>1,263</td>
<td>1,159</td>
<td>9%</td>
<td>4%</td>
</tr>
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<td></td>
</tr>
<tr>
<td>Diluted EPS</td>
<td></td>
<td>21.4p</td>
<td>16.2p</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Free cash flow*</td>
<td></td>
<td>171</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash</td>
<td></td>
<td>654</td>
<td>529</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend per share</td>
<td></td>
<td>11.0p</td>
<td>10.5p</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>
GROUP REVENUE +4%, RETAIL +5%

GROUP REVENUE BY CHANNEL

UNDERLYING SALES GROWTH EX BEAUTY +3%
**Retail/Wholesale Revenue by Region**

**H1 2017**
- Asia Pacific: £1,146m
  - Growth: +9%
  - Underlying: +4%
- EMEA: £456m
  - Growth: +12%
  - Underlying: +7%
- Americas: £280m
  - Growth: +4%
  - Underlying: -2%

**H1 2018**
- Asia Pacific: £1,254m
  - Growth: +9%
  - Underlying: +4%
- EMEA: £501m
  - Growth: +10%
  - Underlying: +5%
- Americas: £292m
  - Growth: +4%
  - Underlying: -2%

**ASIA PACIFIC**
- Mid-single digit comparable store sales growth
- Mid-teens growth in Mainland China
- Hong Kong returned to growth

**EMEIA**
- Mid-single digit comparable store sales growth
- UK double-digit revenue growth; slowed in Q2

**AMERICAS**
- Marginal decline in comparable store sales
- Slightly improved performance in the second quarter
**Retail/Wholesale Revenue by Product**

<table>
<thead>
<tr>
<th>Product</th>
<th>H1 2017</th>
<th>H1 2018</th>
<th>YoY Growth Reported</th>
<th>YoY Growth Underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessories</td>
<td>£1,146m</td>
<td>£1,254m</td>
<td>+9%</td>
<td>+4%</td>
</tr>
<tr>
<td>Womens and Mens Apparel</td>
<td>£426 m</td>
<td>£467 m</td>
<td>+10%</td>
<td>+4%</td>
</tr>
<tr>
<td></td>
<td>£324 m</td>
<td>£353 m</td>
<td>+9%</td>
<td>+4%</td>
</tr>
<tr>
<td></td>
<td>£271 m</td>
<td>£297 m</td>
<td>+10%</td>
<td>+4%</td>
</tr>
<tr>
<td></td>
<td>£76 m</td>
<td>£82 m</td>
<td>+8%</td>
<td>+3%</td>
</tr>
<tr>
<td></td>
<td>£49 m</td>
<td>£55 m</td>
<td>+13%</td>
<td>+8%</td>
</tr>
</tbody>
</table>

**Accessories**
- Strength in bags and SLGs

**Womens and Mens Apparel**
- Newness and innovation outperformed
- Strength in Car Coat and Tropical Gabardine

**Beauty**
- Smooth transition to Coty
- Launch of My Burberry Blush fragrance extensions

**Children**
- Strength in outerwear

*Product commentary relates to mainline retail only other than for Beauty*
ADJUSTED OPERATING PROFIT UP 17% UNDERLYING

ADJUSTED OPERATING PROFIT (£M)

H1 2017 Core pre cost savings & investment
£144m

Strategic cost savings

Strategic investments

Underlying
£170m

Currency
£15m

H1 2018
£185m

+17%

+28%
## INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2017 £m</th>
<th>2016 £m</th>
<th>Reported FX</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,263</td>
<td>1,159</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(389)</td>
<td>(364)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>874</td>
<td>795</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>69.2%</td>
<td>68.6%</td>
<td>+60bps</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(689)</td>
<td>(651)</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Operating expenses as % sales</td>
<td>54.6%</td>
<td>56.1%</td>
<td>(150bps)</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>185</td>
<td>144</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Adjusted operating margin</td>
<td>14.6%</td>
<td>12.5%</td>
<td>+210bps</td>
<td></td>
</tr>
</tbody>
</table>
FY 2017 £20m Savings
Announced in May 2016
Committed to savings of at least £100m annualised by FY 2019
Simplification of operating model begins
Procurement savings start

H1 2018 £20m Savings
Simplification of operating model
Procurement savings build
Burberry Business Services operational from October and scope expanded

Accelerated delivery to cumulative of £60m in FY 2018 and £100m in FY 2019
Expanded scope to target £120m annualised savings in FY 2020

Split of £120m cost savings by category (%)
- Operating model & process simplification ~45%
- Procurement ~25%
- Other ~30%
## INCOME STATEMENT

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<td>Adjusted operating margin</td>
<td>14.6%</td>
<td>12.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusting operating items</td>
<td>(58)</td>
<td>(42)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>127</td>
<td>102</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Net finance credit</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusting financing items</td>
<td>(2)</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>128</td>
<td>102</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>(35)*</td>
<td>(29)*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>-</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable profit</td>
<td>93</td>
<td>72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted number of shares- million</td>
<td>434.8</td>
<td>444.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>32.3p</td>
<td>24.4p</td>
<td>32%</td>
<td></td>
</tr>
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<td>21.4p</td>
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<td>32%</td>
<td></td>
</tr>
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</table>

*25% effective tax rate on adjusted profit before tax in both halves
### Adjusting Operating Items

<table>
<thead>
<tr>
<th></th>
<th>2017 £m</th>
<th>2016 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beauty licence intangible charges</td>
<td>-</td>
<td>(26)</td>
</tr>
<tr>
<td>Costs relating to the transfer of Beauty operations</td>
<td>(28)*</td>
<td>-</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(33)</td>
<td>(13)</td>
</tr>
<tr>
<td>BME deferred consideration income/(charge)</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td>Adjusting Items</td>
<td>(58)</td>
<td>(42)</td>
</tr>
</tbody>
</table>

*Note this cost is expected to be broadly offset in the second half of the year*
<table>
<thead>
<tr>
<th>Description</th>
<th>2017 £m</th>
<th>2016 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit</td>
<td>185</td>
<td>144</td>
</tr>
<tr>
<td>Depreciation and amortisation*</td>
<td>66</td>
<td>69</td>
</tr>
<tr>
<td>Employee share scheme costs</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Decrease/(Increase) in inventories</td>
<td>13</td>
<td>(61)</td>
</tr>
<tr>
<td>Decrease in receivables</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Increase/(Decrease) in payables</td>
<td>3</td>
<td>(11)</td>
</tr>
<tr>
<td>Other</td>
<td>(7)</td>
<td>11</td>
</tr>
<tr>
<td>Cash inflow from operations</td>
<td>270</td>
<td>182</td>
</tr>
<tr>
<td>Capex</td>
<td>(53)</td>
<td>(43)</td>
</tr>
<tr>
<td>Interest</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Free cash flow pre tax</td>
<td>220</td>
<td>140</td>
</tr>
<tr>
<td>Tax</td>
<td>(49)</td>
<td>(65)</td>
</tr>
<tr>
<td>Free cash flow**</td>
<td>171</td>
<td>75</td>
</tr>
</tbody>
</table>

*Excludes adjusting items
**Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets
MOVEMENT IN NET CASH

* Lease adjusted net debt (£0.6bn at 30 September 2017) is defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less cash.
## FY 2018 Outlook

### Sales
- **Retail**
  - Focus on existing store productivity, no net contribution from new space
- **Wholesale**
  - H2 underlying expected to decline by a mid-single digit % (H2 2017: £226m)
- **Licensing**
  - +20% underlying including new Beauty licence from H2

### Profit
- **Adjusted Operating Profit**
  - Marginal upgrade to our expectations at constant exchange rates*
- **Cumulative Costs Savings**
  - Now £60m, increased from £50m
- **One-Off Costs**
  - Now £75m, increased from £40m
- **Tax Rate**
  - Effective tax rate of c.25% (down 80bps year-on-year)
- **FX**
  - £20m* negative impact of FX on adjusted operating profit vs FY 2017

### Cash
- **CAPEX**
  - £130m, below previous guidance of £140m
- **Share Buyback**
  - £350m shares to be purchased in FY

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*Effective rates as at 31 October 2017, taking into account the current hedged positions*
BURBERRY: AN EXTRAORDINARY JOURNEY

Source: Burberry
TODAY, WE ARE ONE OF THE MOST VALUABLE LUXURY BRANDS IN THE WORLD

BRAND VALUE

Source: Interbrand Best Global Brands 2017 Rankings
WE HAVE STRENGTH ACROSS MULTIPLE CATEGORIES
WE HAVE AN EXTENSIVE, LUXURY DISTRIBUTION FOOTPRINT

* Burberry also has 48 franchise stores
Note: Asia Pacific concessions include some mall stores
Source: Burberry
WE ARE THE DIGITAL INNOVATOR
IN THE INDUSTRY

- First website launch
- Burberry Facebook page
- First to live stream fashion show
- Burberry launches digital catwalk
- In China, Burberry tests instant orders on WeChat
- First luxury brand with global reach (Burberry.com in 44 countries, 11 languages)
- Launch of in-store iPads
- Burberry App
- First to run Snapchat Discover
- First brand with Apple Music channel
- Burberry Snapchat
- Apple Music streaming launched
- Instagram launches video service
- Twitter launches “Buy Now” button
- Periscope launched

Source: Vogue, Mashable, TheVerge.com, digiday.com, elleuk.com, risnews.com, thedrum.com
In terms of brand, Burberry occupies a middle position.
WE HAVE ELEMENTS OF BOTH HERITAGE AND FASHION...

HERITAGE

FASHION

Source: Burberry
... AND OUR OFFER IS A COMBINATION OF DIFFERENT PRICE POINTS

**Basics Priced**
Below Luxury Players

**Certain Items Priced**
Alongside Luxury Players

100 vs. luxury players at 150-200

100 vs. luxury players at 100-110

Source: Burberry, company websites October 2017
Recently, Burberry’s growth has slowed.
NOW OUR SECTOR IS CHANGING

Luxury industry growth is expected to be 4-5% in the medium-term.

Future growth will be driven by:
- Comp vs. space
- Volume vs. price
- Digital

Industry economics are evolving, with growth becoming more expensive than in the past.

1. 16/17 growth is +5% based on current exchange rate, but +6% with constant exchange rate
Source: Bain luxury goods worldwide market study, October 2017
Luxury customers are also changing

From...

- Traditional luxury
- Exclusive price points
- Listening to brand stories
- Being part of the elite
- Status
- Brand loyalty

To...

- Casualisation, fashion and fun
- Creativity across all categories
- Living brand story and experiences
- Individual self-expression
- Shared values
- Switching according to relevance

Source: Burberry, Bain & Company Luxury Goods Worldwide Market Study, October 2017
“People are not easily impressed anymore. Now, even in China, consumers look at their wardrobe and they have everything, so they say: ‘Okay, if I get anything new, it must be for a good reason.” - Angelica Cheung

1. Editor of Vogue, China
Source: Burberry, Business of Fashion
THEY ARE ALSO POLARISING BETWEEN LUXURY AND MASS BRANDS...

FROM ...

MID-MARKET BRANDS DOMINATING IN 1980S

TO ...

TODAY’S CONSUMER MIXES FUNCTIONAL OUTFITS FROM MASS BRANDS ...

... WITH LUXURY HANDBAGS & SHOES

Source: Elle, theblondesalad.com
Over time, luxury players have been able to create a substantial price premium…

...while mass-market prices have dropped... AND PRICES ARE MOVING ACCORDINGLY
IN THIS ENVIRONMENT, WE MUST SHARPEN OUR BRAND POSITIONING
OUR VISION

FIRMLY ESTABLISH OUR POSITION IN LUXURY FASHION, INSPIRING CUSTOMERS WITH OUR UNIQUE BRITISH ATTITUDE
BRAND SPIRIT

WE ARE CREATIVE, INNOVATIVE AND OUTWARD LOOKING

WE HAVE A HISTORY OF EXPLORATION AND ADVENTURE

WE ARE DIGITAL PIONEERS

WE CELEBRATE DIVERSITY AND CHALLENGE RECEIVED WISDOMS

WE ARE 161 YEARS OLD, BUT HAVE A YOUNG CHARACTER

WE WILL ARTICULATE THIS SPIRIT FOR TOMORROW, CELEBRATING OUR SENSE OF ADVENTURE, DARING CREATIVITY AND BRITISH ATTITUDE
THE PATH TO ACHIEVE OUR VISION

RENEW THE PRODUCT

EVOLVE THE COMMUNICATION

TRANSFORM THE EXPERIENCE

Source: Burberry
OUR PRODUCT STRATEGY

INCREASE FASHION CONTENT
Re-invigorate our products with a constant infusion of newness and excitement

TRANSFORM LEATHER GOODS
Signal significant change in design and relevance to win the luxury consumer

CONTINUOUS ENGAGEMENT
Multiple curated deliveries, with a direct to consumer approach

WARDROBE THE CUSTOMER
Shift from items to outfitting; drive UPT and frequency of purchase

REBALANCE OUR PRICE ARCHITECTURE
Maintain competitive prices, and offer a breadth of price points injecting creativity across the entire range

Source: Burberry
JUDY COLLINSON
CHIEF MERCHANDISING OFFICER
A LUXURY FASHION BRAND

A NATURAL EVOLUTION

DESIGN AND MERCHANDISE TO THE NEW LUXURY CLIENT

CONSIDER OUR CURRENT CLIENT
THE NEW LUXURY CONSUMER

CONTINUE TO EXCITE, CHALLENGE, ENTERTAIN

CELEBRATE OUR AESTHETIC

EACH COLLECTION WILL BE FASHION
OUR CURRENT CLIENTS

REFRESH STRONG BUSINESS DRIVERS

ADD NOVELTY TO CORE CATEGORIES

REINVIGORATE BASICS

ENTICE WITH NEWNESS
PRODUCT DIRECTION

RTW AS THE PRIMARY SIGNAL OF EVOLUTION

CONTINUE AND UPDATE OUTERWEAR STRENGTH

INCREASE IMPORTANCE OF RUNWAY DELIVERIES

ELEVATE LEATHER GOODS
TRANSFORM LEATHER GOODS

LEATHER GOODS TO RENEW BRAND PERCEPTION

A SOLID ARCHITECTURE OF HANDBAGS
HOW DO WE TAKE LEATHER GOODS MARKET SHARE

INDUSTRY-LEADING DESIGN TEAM

EVOLVE THE CHARACTER OF THE BURBERRY HANDBAG

INCREASE PROMINENCE AND SPACE DEDICATED TO LEATHER GOODS IN STORES
FULLY WARDROBE
THE CUSTOMER

OUTFIT THE WHOLE CLIENT

EMPHASISE CROSS-SELLING

DISPLAY BY LOOK
BALANCE OUR PRICE ARCHITECTURE

COMPETITIVE PRICES

CONVEY PERCEPTIBLE VALUE

OFFER A BREADTH OF PRICE POINTS
EXCITE WITH CUSTOMER CONVERTERS
CONTINUOUSLY ENGAGE OUR CUSTOMERS WITH NEWNESS

KNOWN FOR OUR DIRECT TO CONSUMER APPROACH

CONSTANT ENGAGEMENT THROUGH FRESH PRODUCT

REGULAR, CURATED DELIVERIES

EXCITE WITH CAPSULES AND COLLABORATIONS

UNCONSTRAINED BY TRADITIONAL CALENDAR
OUR EVOLUTION HAS BEGUN

VINTAGE CHECK
TARTAN TREND
LAUNCH OF THE GIANT TOTE
EXCITEMENT IN KNITS
FUTURISTIC RAINWEAR
THE PATH TO ACHIEVE OUR VISION

RENEW THE PRODUCT

EVOLVE THE COMMUNICATION

TRANSFORM THE EXPERIENCE

Source: Burberry
Product at the heart of our communications

Reimagine our content, taking a curated, edited approach

Invest in fewer, more meaningful experiences including collaborations

Source: Burberry
PRODUCT FIRST

Ensure product is at the heart of all our communications

Source: Burberry
CONTENT REVOLUTION

Revolutionise our content across touchpoints including taking an editorial approach to inspire our customers
FOCUS ON EXPERIENCES

Invest in meaningful experiences and collaborations to help shift the perception of influencers and attract new customers.
WE WILL LEVERAGE OUR DIGITAL REACH TO CONVEY OUR NEW BRAND ENERGY

50+M
FANS GLOBALLY

15 Platforms
11 Languages

Source: Burberry social media listening data, Q2 2017
THE PATH TO ACHIEVE OUR VISION

R E N E W
T H E
P R O D U C T

E V O L V E
T H E
C O M M U N I C A T I O N

T R A N S F O R M
T H E
E X P E R I E N C E

Source: Burberry
OUR CUSTOMER EXPERIENCE STRATEGY

MAINLINE

DIGITAL

WHOLESALE

OUTLETS
FIRST, WE WILL FOCUS ON THE STORES THAT DRIVE BRAND PERCEPTION

Source: Burberry
... upgrading them with a refreshed store concept

We have also planned to refurbish the majority of our direct stores network in the medium-term.

Source: Burberry
# MAINLINE

**WE WILL CONTINUE OUR JOURNEY TO TRANSFORM OUR IN-STORE EXPERIENCE**

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>TRAINING</th>
<th>OUTREACH</th>
<th>TOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Elevated recruitment standards</td>
<td>• Re-defined role descriptions</td>
<td>• Systematic clienteling</td>
<td>• Improved digital sales associate tool</td>
</tr>
<tr>
<td>• Re-defined store manager and associate hiring criteria</td>
<td>• New performance assessment criteria</td>
<td>• Focus on appointments</td>
<td>• New, handheld in-store devices</td>
</tr>
<tr>
<td>• New performance assessment criteria</td>
<td>• Reinforced collection training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• In-store training on styling and wardrobing</td>
<td>• New training modules, e.g., leather goods, selling fashion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mystery shopping</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• In-store coaching</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Accelerate existing initiatives … … and add new initiatives to reinforce our luxury fashion positioning

- Elevated recruitment standards
- Re-defined role descriptions
- Re-defined store manager and associate hiring criteria
- New performance assessment criteria
- In-store training on styling and wardrobing
- Mystery shopping
- Reinforced collection training
- New training modules, e.g., leather goods, selling fashion
- Systematic clienteling
- Focus on appointments
- Elevated approach to clienteling
- In-store coaching from store managers and BPC team
- Improved digital sales associate tool
- New, handheld in-store devices

Source: Burberry
THESE EFFORTS WILL IMPROVE OUR RETAIL PRODUCTIVITY

SALES DENSITY
£ per sq metre

Burberry FY 2017
Burberry Opportunity
Luxury Leather Goods average 2017

NOTE: NOT TO SCALE
Source: Burberry
IN DIGITAL, WE WILL CONTINUE TO LEAD INNOVATION AND DRIVE GROWTH

CURATION  CONTENT  PERSONALISATION  OMNICHANNEL  3RD PARTIES

Source: Burberry
We will bring the digital shopping experience to life, expressing the brand POV through an editorialised website and meaningful social content.
We will innovate in personalisation.

Stories for you

Recommended for you

Reserved for you

We will engage our customer through customised, relevant and dynamic customer journeys, underpinned by our data and analytics capability.

Source: Burberry
WE WILL OFFER A SEAMLESS OMNICHANNEL EXPERIENCE

FLEXIBLE PAYMENT

ONLINE APPOINTMENT BOOKING

CONVENIENT/SLOTTED DELIVERY

We will bring a moment of luxury to the buyer's doorstep, supported by **seamless, flexible transaction**

Source: Burberry
WE WILL STRENGTHEN OUR DIGITAL PARTNERSHIPS

Source: Burberry
WE WILL GROW OUR BUSINESS WITH IMAGE-DRIVING WHOLESALE DOORS...
To strengthen the brand experience and ensure consistency, we will:

- **Upgrade** some doors to drive image
- **Reduce** exposure where necessary to reflect the new brand positioning

**US Luxury vs. Non-Luxury Wholesale**

(Share of Wholesale Doors)
WE WILL RIGHT-SIZE OUR NETWORK, IN LINE WITH OUR POSITIONING

Outlet vs. mainline stores proportion

Source: Burberry
As a result, we will build a luxury network in line with our brand.

Source: Burberry
RECAP: THE PATH TO ACHIEVE OUR VISION

RENEW THE PRODUCT

EVOLVE THE COMMUNICATION

TRANSFORM THE EXPERIENCE

Source: Burberry
THIS WILL BE A TWO-PHASED TRANSFORMATION JOURNEY

BUILD THE FOUNDATION

• Commence programme to re-energise the brand and establish our position in luxury, building on our productivity and efficiency agenda

• Rationalise and invest to align our distribution

• Manage creative transition

ACCELERATE AND GROW

• Complete full brand transformation, with a new creative vision

• Drive forward all elements of the strategy

• Accelerate growth

Source: Burberry
WE WILL EXERCISE FINANCIAL DISCIPLINE, ESPECIALLY DURING THE TRANSITIONARY YEARS

- **Cost**
  - Tight control of underlying costs

- **Savings**
  - Drive cost savings, simplification and efficiency

- **CAPEX**
  - Clear priorities and expectation of return

- **Profits**
  - Broadly stable operating profit through the transition period

Source: Burberry
JULIE BROWN

CHIEF OPERATING & FINANCIAL OFFICER
## Our Financial Plan*
*(At Constant Exchange Rates)*

<table>
<thead>
<tr>
<th>FY 2019 &amp; 2020</th>
<th>Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>• Sales broadly stable year-on-year</td>
<td>• High-single digit top-line growth</td>
</tr>
<tr>
<td>• Rationalise non-luxury distribution</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td></td>
</tr>
<tr>
<td>• Adjusted operating margin broadly stable YoY, even during period of investment in the brand</td>
<td>• Meaningful operating margin expansion</td>
</tr>
<tr>
<td>• £120m annualised cost savings by FY 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td></td>
</tr>
<tr>
<td>• Capex of £150-£160m</td>
<td>• Capex builds to £190m-£210m</td>
</tr>
<tr>
<td></td>
<td>Strong free cash conversion and application of capital allocation framework including progressive dividend and shareholder distributions</td>
</tr>
</tbody>
</table>

*Guidance assumes constant exchange rates and a stable economic environment*
OUR FRAMEWORK FOR VALUE CREATION

VALUE CREATION

REVENUE GROWTH

OPERATING MARGIN

CAPITAL EFFICIENCY
FINANCIAL AMBITION: REVENUE GROWTH

REVENUE GROWTH

RENEW THE PRODUCT

EVOLVE THE COMMUNICATION

TRANSFORM THE EXPERIENCE
FINANCIAL AMBITION: OPERATING MARGIN

GROUP OPERATING MARGIN POTENTIAL

Source: Burberry, Company data at last financial year end.

~14%
Luxury apparel companies

17%
Burberry FY 2017

~26%
Luxury leather goods companies
Finite Ambition: Operating Margin

**Adjusted EPS Growth Ahead of Revenue Growth**

### Cost Savings

- Operating cost savings support profitability
- Focused resource re-allocation from back to front office

Operating expenses reduce as a % of sales (CER)

- **Regional**
- **Marketing**
- **Other**

Mar-18F | Medium term

### Operating Leverage

- Leverage the fixed and semi-fixed overhead cost components of our business

### Tax Rate

- Improvement in adjusted tax rate* by 200-300 bps by FY 2020 from 26% in FY 2017

*Guidance assumes constant exchange rates, stable economic environment & current tax legislation
FINANCIAL AMBITION: OPERATING MARGIN

COST SAVINGS BY MAJOR LEVER

- OPERATING MODEL SIMPLIFICATION
- PROCUREMENT SAVINGS
- BURBERRY BUSINESS SERVICES (Opened October 2017)
- INFORMATION AND TECHNOLOGY
- PROCESS SIMPLIFICATION
- INVENTORY MANAGEMENT EFFICIENCIES

Cumulative cost savings from FY 2016

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>£20m</td>
</tr>
<tr>
<td>FY 2018</td>
<td>£60m</td>
</tr>
<tr>
<td>FY 2019</td>
<td>£100m</td>
</tr>
<tr>
<td>FY 2020</td>
<td>£120m*</td>
</tr>
</tbody>
</table>

*Annualised savings
FINANCIAL AMBITION: CAPITAL EFFICIENCY

OUR FRAMEWORK FOR VALUE CREATION

VALUE CREATION

REVENUE GROWTH

OPERATING MARGIN

CAPITAL EFFICIENCY
*Free cash conversion is defined as free cash flow pre tax/ adjusted profit before tax
*Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets
**FINANCIAL AMBITION: CAPITAL EFFICIENCY**

**CAPEX INVESTMENT INTO STORES**

<table>
<thead>
<tr>
<th>Retail capex analysis (£m)</th>
<th><strong>TOTAL CAPEX (£M)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical average*</td>
<td>FY 2019 &amp; 2020</td>
</tr>
<tr>
<td></td>
<td>£150m</td>
</tr>
<tr>
<td>FY 2019 &amp; FY 2020</td>
<td>£150m-£160m</td>
</tr>
<tr>
<td>Medium term</td>
<td></td>
</tr>
</tbody>
</table>

- **New store investment reduces as focus on driving existing store productivity**
- **Investment to refurbish existing stores**
- **Continue to invest in IT and digital**

*Historical average refers to FY 2013 – FY 2017 inclusive*
FINANCIAL AMBITION: CAPITAL EFFICIENCY

CAPITAL ALLOCATION FRAMEWORK

REINVEST FOR ORGANIC GROWTH

PROGRESSIVE DIVIDEND POLICY

STRATEGIC INVESTMENTS

RETURN EXCESS TO SHAREHOLDERS

MAINTAIN STRONG BALANCE SHEET WITH SOLID INVESTMENT GRADE CREDIT METRICS
FINANCIAL AMBITION: CAPITAL EFFICIENCY

>£1BN RETURNED TO SHAREHOLDERS OVER THE PAST FIVE YEARS

Movement in net cash

- Mar 2012: Cash generated from operating activities (£0.3bn)
- Capex: (£0.8bn)
- Dividend: (£0.8bn)
- Strategic investment: (£0.2bn)
- Buyback: (£0.3bn)
- Return excess to shareholders: (£0.1bn)
- Other: £0.7bn

Reinvest for organic growth
Progressive dividend policy
Strategic investments
Return excess to shareholders
Delivering sustainable long-term value

- **Cash**: Significant cash generation over the plan
- **Dividend**: Progressive policy with the dividend at least in line with the prior year
- **ROIC**: ROIC significantly ahead of WACC
OUR STRATEGY

Firmly establish our position in luxury fashion, inspiring customers with our unique British attitude

REVENUE DRIVERS TO REIGNITE THE BRAND

STRATEGY ENABLERS

Source: Burberry
THIS STRATEGY WILL BE UNDERPINNED BY OUR PEOPLE ...
... AND LED BY AN EXCEPTIONAL TEAM

Team has a balance of in-depth experience from Burberry, the luxury industry and FTSE100/multinational companies

Leading merchandising and design talent from top luxury houses

Leadership with substantial experience in luxury and digital, and long-standing Burberry track record

Deep regional knowledge and retail capabilities

Significant leadership experience across major multinational businesses and FTSE100 companies

Source: Burberry
WHAT WE WILL ACHIEVE

One of the world's most valuable and desirable luxury brands

Firmly established in luxury – the most valuable and enduring segment of the industry - creating sustainable value for all stakeholders
APPENDIX
The financial information contained in this presentation is unaudited.

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.

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.

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

The definition of adjusting items is included in note 4 of the Condensed Consolidated Interim Financial Statements.

H1 2018 adjusting operating items are:
- £33m restructuring costs relating to the cost efficiency programme
- £28m costs associated with the transfer of Beauty operations
- £3m Burberry Middle East changes in deferred consideration

H1 2018 Adjusting finance items are £2m reflecting Burberry Middle East deferred consideration financing charges

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.

Comparable sales is the year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales.

Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets. Cash conversion is defined as free cash flow pre tax/adjusted profit before tax

Lease adjusted net debt is defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less cash.

Certain financial data within this presentation have been rounded.
### Foreign Exchange Rates

<table>
<thead>
<tr>
<th>Currency</th>
<th>31 October 2017</th>
<th>30 June 2017</th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1=</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>1.14</td>
<td>1.15</td>
<td>1.14</td>
<td>1.22</td>
<td>1.19</td>
</tr>
<tr>
<td>US Dollar</td>
<td>1.31</td>
<td>1.30</td>
<td>1.29</td>
<td>1.37</td>
<td>1.30</td>
</tr>
<tr>
<td>Chinese Yuan Renminbi</td>
<td>8.77</td>
<td>8.80</td>
<td>8.75</td>
<td>9.08</td>
<td>8.73</td>
</tr>
<tr>
<td>Hong Kong Dollar</td>
<td>10.23</td>
<td>10.12</td>
<td>10.09</td>
<td>10.65</td>
<td>10.11</td>
</tr>
<tr>
<td>Korean Wong</td>
<td>1,477</td>
<td>1,482</td>
<td>1,464</td>
<td>1,565</td>
<td>1,487</td>
</tr>
</tbody>
</table>
## Operating Profit by Segment

<table>
<thead>
<tr>
<th></th>
<th>Retail/wholesale</th>
<th>Licensing</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,254</td>
<td>1,146</td>
<td>9</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(389)</td>
<td>(364)</td>
<td>-</td>
</tr>
<tr>
<td>Gross profit</td>
<td>865</td>
<td>782</td>
<td>9</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>69.0%</td>
<td>68.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(688)</td>
<td>(649)</td>
<td>(1)</td>
</tr>
<tr>
<td>Operating expenses as a % of sales</td>
<td>54.9%</td>
<td>56.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>177</td>
<td>133</td>
<td>8</td>
</tr>
<tr>
<td>Adjusted operating margin (%)</td>
<td>14.1%</td>
<td>11.7%</td>
<td>84.8%</td>
</tr>
</tbody>
</table>
REPORTED FINANCIAL MEASURES

Adj. operating profit +17% underlying

- H1 2017: £144m
- H1 2018: £185m

Reported operating profit +24%

- H1 2017: £102m
- H1 2018: £127m

Adjusted diluted EPS +32%

- H1 2017: 24.4p
- H1 2018: 32.3p

Diluted EPS +32%

- H1 2017: 16.2p
- H1 2018: 21.4p
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https://plus.google.com/+Burberry