Burberry to establish position firmly in luxury and deliver sustainable long-term value

Burberry has been on an extraordinary journey over the last 161 years, from equipping explorers more than a century ago to becoming one of the world’s most valuable global luxury brands with a distinctive, British point of view.

Since the IPO in 2002, Burberry has enjoyed strong growth by expanding its global luxury retail footprint, building its leadership in digital and developing strength across multiple categories. Today the sector has changed and the luxury consumer demands innovation, curation and excitement from brands and creativity at every turn.

To win with this consumer, we must sharpen our brand positioning. This will require us to change our approach to product, communication and customer experience. Building on our strong foundations, we will establish our position firmly in luxury enabling us to deliver sustainable long-term value.

- **Product is at the heart of our transformation**
  We will reshape our offer, increasing and invigorating the fashion content. We will create compelling luxury leather goods and accessories to attract new customers. We will build on the strength of our apparel and re-energise it. We will build our offer to provide a complete look for our customers, while continuing to simplify our ranges.

- **Communication will convey new energy**
  We will put product at the centre of our communication. We will leverage our extensive digital reach to convey new energy. We will be bold in the way we engage luxury consumers, reinventing our editorial content and experiences.

- **Customer experience will reflect our positioning**
  To ensure our distribution is consistent with our brand positioning, we will rationalise non-luxury wholesale and retail doors, with an initial emphasis on the US and then EMEIA. We will transform our in-store experience by refurbishing our stores and enhancing our luxury service. We will continue to lead innovation in digital, delivering personalised experiences and true omnichannel services.

Our actions will be underpinned by continued focus on productivity, simplification and financial discipline. We will engage and motivate our teams, reinforcing our culture and values. We will continue to be an industry leader in responsibility.

There will be a period of transition as we implement our strategy, during which we expect to remain strongly cash generative and are committed to our capital allocation framework.

“Now is the right time for Burberry to implement the next phase of its transformation. By re-energising our product and customer experience to establish our position firmly in luxury, we will play in the most rewarding, enduring segment of the market. We have the foundations to build on and the team to execute our plans. This will enable us to drive sustainable growth and higher margins over time, whilst continuing to deliver attractive returns to shareholders.”

Marco Gobbetti, Chief Executive Officer
Financial outlook
Our financial ambition is to deliver high-single digit revenue growth coupled with meaningful operating margin expansion.

We expect to remain strongly cash generative, are committed to our progressive dividend policy and expect to continue to provide additional shareholder distributions in-line with our capital allocation framework.

FY 2019 and FY 2020*:
• Revenue and adjusted operating margin are expected to be broadly stable year-on-year at constant exchange rates, reflecting
  – The accelerated delivery of the full £100m cumulative cost savings in FY 2019 and £120m cumulative annualised cost savings in FY 2020
  – Offset by investment and the rationalisation of non-luxury points of sale
• One-off restructuring charges of c.£15m are currently expected in FY 2019*
• Capex is expected to be at £150m-£160m per annum
• The group’s tax rate is expected to reduce by 200-300bps by FY 2020 (FY 2017: 26%)*

Medium term:
• Revenue and adjusted operating profit are expected to grow in FY 2021, with revenue growth accelerating and meaningful operating margin improvement thereafter
• Capex is expected to build to £190m-£210m
• Adjusted EPS is expected to grow ahead of adjusted operating profit benefiting from an improvement in the tax rate and additional shareholder distributions

The information communicated herein is inside information

The financial information contained herein is unaudited.

* For detail on FY 2018 guidance and one-off restructuring charges please see Interim Results announcement released today (9 November 2017). Guidance assumes constant exchange rates, a stable economic environment and current tax legislation unless otherwise stated
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- There will be a presentation today at 9.30am (UK time) for investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW
- The presentation can be viewed live on the Burberry website www.burberryplc.com and can also be accessed live via a listen only dial-in facility on +44 (0)20 3003 2666 (password: Burberry Interim Results). The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on third quarter trading on 17 January 2018

All metrics and commentary in this announcement exclude adjusting items unless stated otherwise and certain financial data have been rounded.

Certain statements made in this announcement 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 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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