Good morning, and welcome to Burberry’s Full Year 2018 First Quarter Trading conference call, which has accompanying slides that are available on the IR section of our website.

In today’s presentation I will briefly run through a review of our retail sales growth in Q1 and I will highlight some key operational progress we've made. And finally, we’ll turn to the outlook for the remainder of the year.

With me this morning is Charlotte Cowley, our Head of Investor Relations, and we’ll be happy to take your questions at the end.

So, turning to the first slide and starting with the retail performance in the first quarter. Underlying retail revenue was up 3% at constant exchange rates. Comparable sales grew 3% with strength in Asia Pac and Americas, partially offset by EMEIA.

Space was marginally negative during the period. We continued our strategic investments in key markets, with six openings, including the relocation and expansion of our flagship store in Dubai. This in part offset the headwind from seven store closures, including an additional two outlets.

For the full year we continue to expect space to impact retail sales by minus 1%.

We also have an impact from the move to the retail calendar, and the adoption of IFRS 15. In aggregate, the two equated to a 0.3% negative impact on retail growth.

And finally, currency was negative in the quarter as guided, with sales of £479m sterling, unchanged year-on-year at reported exchange rates.

Now turning to comparable regional revenue performance on slide two. Asia Pacific grew by a mid single-digit percentage, broadly consistent with the second half last year. Mainland China grew, but we saw a marked shift in Chinese spending towards other Asian countries as Chinese tourists took advantage of favourable exchange rates. This benefited Hong Kong, Korea and Japan, which all saw good growth across both domestic and tourist clients.

EMEIA declined by a low single-digit percentage, and as mentioned, negative tourist spending weighed on the performance of both the UK and Continental Europe. The Middle East remained challenging as concerns around the macro environment continued.
The Americas delivered high single-digit percentage growth. This ongoing improved momentum that we’ve started to see in the final quarter of last year is encouraging. Footfall has continued its positive trend and we saw good growth from local customers.

Turning to strategy on slide three. Now, I wanted to share some progress that we have made across the business.

As we continue through our transition phase we are building a strong platform for reenergising our brand, and the execution of our plans remains firmly on track.

We’ve talked to you before about the evolving luxury customer base for the whole industry, and we continue to see evidence of this within our own business. Customers are demanding creativity and innovation across product and communication, and expecting the highest level of customer service in stores and online. In response to this in the quarter we’ve excited clients with pop up stores that celebrate the newest handbags around the globe, across Beijing, Dubai, New York and Seoul. We’ve seen early success for our full merchandising initiative in our new collections, which have shown higher link selling and outfitting rates than the total business.

In our retail stores we have rolled out a new digital customer service tool, R-World, to help our sales associates enhance their engagement and connection with customers, frequently and successfully. In the quarter we saw the revenue driven by appointments up double digits year-on-year.

Turning to communication, we are encouraged by the early results. Under the creative direction of Riccardo Tisci, our recent collaboration with Beyoncé achieved the highest ever Instagram Story views with 1.1 million. We introduced new creative content across Burberry.com and social media channels to support the Heritage Trench refresh programme and new leather goods launches, while also ensuring we produce more frequent content with clear concise messaging. This has contributed to an improvement in our Instagram engagement rate, up 25% from Q4 to Q1.

Our digital business continued to excel in all regions, with growth led by Asia Pac. Mobile has now become the largest digital channel in our business. We continue to enhance our omnichannel proposition with a successful go live in the US and mainland China, supporting store to customer shipment in these markets. And EMEIA is scheduled to follow later this year. And our collaboration with Farfetch is performing ahead of our initial expectations.

Under operational excellence the acquisition of a business from one of our longstanding leather partners in Italy is proceeding as planned. In addition to skills and expertise this acquisition will give us greater control over quality, cost, delivery and sustainability in this key strategic category.

Under inspired people a key initiative this quarter was our off site, bringing together our top 250 global leaders. The event focused on emerging teams in our strategic vision and the critical role they will play in delivering. We believe our managers are now better equipped to motivate and engage their teams to execute successfully.

Now, turning to outlook on the next slide. As we look ahead to the remainder of the year you will see us move further towards a fluid, flexible and creatively led delivery cycle, as we strive to continuously engage consumers with fresh and sometimes unexpected drops of product, content and communication.
Riccardo is working on a limited edition capsule as part of his debut collection for Burberry, and this will be available in a series of instant drops from September. We've announced a collaboration with the legendary British designer, Vivienne Westwood, which will celebrate the iconic design elements from both houses, and will launch in a select number of Burberry stores in December. Riccardo’s runway collection in September will be in store from February 2019. And from May 2019 the first product of Fall ’19 designed by Riccardo will start to deliver to stores.

In terms of the full year 2019 financial guidance there is no change to our guidance for the broadly stable revenue and operating margin at constant exchange rates. In terms of modelling, in retail we still expect a minus 1% impact from space as we evolve the store network. For wholesale, the low single-digit percentage full year decline is anticipated to be more pronounced in the second half. And we remain on track to deliver £100m of cumulative cost savings in full year 2019.

As usual, we have updated our currency guidance, and the situation has improved due to the weakening of sterling. In terms of revenue the top line impact is now expected to be marginally positive for the full year. In terms of operating profit we now expect foreign exchange to be a £25m headwind in full year ’19, compared with our previous indications of £40m at 30th April spot rates and £30m to £35m at early May rates.

In terms of phasing, the currency effect on profit is weighted towards the first half of the year with a £20m headwind expected in half one, and £5m headwind in half two. This means on a reported basis we expect half one operating profit and margin to be lower than the prior year. And finally, we have now commenced the share buyback of £150m in line with our capital allocation framework.

So, in conclusion, whilst we're still early in our execution we are pleased with the progress we have made in the quarter. We look forward to showing Riccardo’s debut collection in September, a key milestone for our brand transformation. And while we know it will take time to achieve our long-term ambitions we are delivering on all our strategic milestones and feel confident about the future.

And with that, Charlotte and I are happy to take any questions.

Q&A Session

Question 1

Edouard Aubin, Morgan Stanley

Good morning. One quick question on retail and one on wholesale. You're basically implicitly guiding for retail like-for-like of roughly 2% to 3% for the year. If we look at the sequencing, in Q2 you're facing your toughest comp of the year on a two and three year cumulative basis. So should we expect a more or less flatish like-for-like in Q2? If you can just give us a quick indication of the exit rate of Q1 and the beginning of Q2.

And then on the wholesale you reiterated, Julie, your guidance for a low single-digit decline. Can you just provide us a quick update on the work in cleaning up the distribution channel in wholesale, and particularly in the US please?

Julie Brown
Yes sure. So clearly in terms of retail, we've provided all the elements of guidance that we can give. We don't obviously give guidance by quarter, but, as you pointed out, the Q2 in the prior year was our strongest comp, because we delivered 4% in the prior year Q1 and 5% in Q2. So we are up against the strongest comp, but we wouldn't obviously give quarterly guidance on retail numbers.

In terms of wholesale, we are progressing very well with the negotiations with wholesalers, both in the US and in EMEIA. We've guided a low single-digit decline for the full year, however it's definitely going to be more pronounced in the second part of the year, just because of the phasing of the contracts through the May and November market.

The discussions with them are going extremely well, we've had very good engagement with the wholesalers. As you know, our ambition is to ensure the brand is appropriately positioned in those department stores, and in some cases we're not in an appropriate location at the moment because of the old Brit heritage. So this will take some time to resolve completely but the early signs are very, very positive.

We've actually had improvement in luxury accounts, both in the US and in EMEIA which has been very positive.

**Question 2**

**Helen Brand, UBS**

Hi, good morning everyone. A few questions from me. Firstly, can you just give a little bit more detail on the new strategy around more frequent product drops? So how often should we expect these, and do you plan to step up the number of collaborations through next year?

Secondly, on the quarter specifically, can you give us the breakdown on ASP versus volume?

And then finally, as a follow up from this, could you just confirm any pricing actions you've taken since the start of the calendar year by region, and do you plan to follow the 5% price cut in China taken by some of your peers? Thanks.

**Julie Brown**

Okay, sure. So if I take the first two, and Charlotte can take the pricing one in terms of changes of pricing actions. Yes, so in terms of product drops, we have now got a new model for engaging with customers and as we reported yesterday, Riccardo’s now working on a limited edition capsule as part of his debut collection for Burberry. And this will be available in a series of instant drops in September.

And as you’ve also seen we also see collaborations as a way of working going forward. We've just recently announced what we see as a very exciting collaboration with an iconic British designer, Vivienne Westwood and this will be in our stores from December.

So the model now is to be more fluid, and we have moved to a delivery cycle that’s creatively led, and it’s a new way really of conversing with customers across product, communication and the experience. So this will result now in Burberry delivering frequent drops of fresh product really to engage our consumers throughout the year, and to be honest to surprise them also throughout the year. So what we'll be doing is we'll be announcing further details in
advance of the Burberry Show, which is obviously going to take place on 17th September. So it's just a new way of engaging with consumers.

Taking your second question, Helen, about the quarter, ASP and volume. The quarter benefitted from a combination of both, so we've had an improvement in volume, and again we've had an improvement in traffic, and also we've had a marginal benefit coming through AUR which again is part of the strategy. The region which is probably shown this to the greatest degree is America where we've seen a considerable uptick in performance in America, and that's seen the benefit of traffic and an improvement in AUR. So we're very pleased with the early signs that we're seeing at this stage, but again we'd emphasise that these things take time, implementing the strategy will take some time. So, Charlotte on prices.

Charlotte Cowley, VP, Investor Relations

We made a few small tweaks to pricing globally, but nothing significant in terms of changing big like-for-like price increases, it was more just to realign that global pricing architecture. In terms of in China in particular, we'll watch and see how things develop. As a company doing big business in China, it's pleasing to see a policy that should benefit China's consumers. But nothing to update you on today, Helen.

Question 3

Louise Singlehurst, Goldman Sachs

Just in terms of Asia Pac, we're obviously all trying to follow all the news and see what's going on in that market. I know to Edouard’s point you're not going to probably give us the exit rate, but can you just tell us anything that you spotted particularly mainland China versus Hong Kong? I know you touched on it briefly in the commentary.

Secondly, just following up on the collaborations. When we see these launches, are we going to expect a mix of more local as well as global, or do you plan to launch small quantities but on a global basis and talk about the distribution there?

And then just finally, if you could just confirm that you're happy with consensus EBIT? I see on your website, very helpfully at 441m for this year?

Julie Brown

Okay, Louise, thank you very much for the question. In relation to the trend in the quarter, first of all if we look at the Chinese, there was absolutely no change really in the Chinese as a nationality trend through the quarter. Some people have been flagging did it change in the final month? No, in the case of Burberry there was no change in the trend. Probably important to say when we look at mainland China that we did shorten our markdown period by approximately a week, but it still had no impact on the overall trend. I know the market is somewhat concerned about this as a general industry point, but we're picking up absolutely nothing in our numbers. We're aware of the macro environment and we obviously look at that data, but our own numbers are not suggesting any change as we work our way through those months.

In terms of the other countries within Asia, we definitely had an impact. When we look at Chinese and we look at mainland China, we definitely had an impact through tourists or the Chinese moving out of mainland China into other countries in Asia. We saw an uptick in Hong
Kong, we saw an uptick in Korea, and we saw an uptick in Japan, so all of those three countries were benefitted. Having said that, we also had domestic growth in all of those three countries as well as the travelling Chinese.

Turning to your second question about the collaborations. It is part of our model going forward. Riccardo’s really excited about the collaboration with Vivienne Westwood. It will be part of our model going forward to engage in collaborations, to engage the consumer. In terms of the distribution of those collaborations, it's going to vary considerably I think. In the case of Vivienne it will be select stores. The idea of doing this is to be innovative, is to be creative, and therefore it's not a mathematical model at all, it's all about creativity, and we will disclose these as and when we're ready. But we want to surprise people as well.

Charlotte Cowley

And just in terms of consensus, yes you’re right. The adjusted EBIT was 441 this morning. From what we can see a lot of people had already updated and almost run their own FX model, so the FX in that was at about the 25 that we’ve guided to today. So we’re not expecting to see any real change in that number based on what we've said today.

Louise Singlehurst

That’s very clear, thank you.

Question 4

Thomas Chauvet, Citi

Three questions please. The first one on your upcoming Spring/Summer ’19 collection, and then the subsequent Autumn/Winter. How quickly do you think you'll be able to roll out the collection in all your point of sales and remove at the same time the old collection?

Then two quick ones on the limited edition products and the collaboration. Firstly, are you as a result of this strategy expecting a gradual increase in ASP in seasonal product, as opposed to perhaps carry over items where you seem to suggest there'll be limiting pricing from here, particularly on trench coats?

And secondly, once the collections are in-store, are you expecting a gradual change in the proportion of carryover versus seasonal items? And can you perhaps remind us on Christopher Bailey’s last collection, what was the share of seasonal versus evergreen products? Thank you.

Julie Brown

In terms of the transition to Spring/Summer of ‘19, the main collection relating to that we'd expect it to be starting to go into the store around the May period. But I think it's also just important to say that the model that we're adopting is changing to have greater frequency and more innovation, rather than very large scale deliveries at certain dates. So there is a change in the way that we're operating this.

In terms of what we've commented on before though, is we would expect Riccardo's collections and work to be really making a big impact on our stores from May next year. That is going to be the big sort of transition period. During this time, even now actually, we talked
about in the year-end results we're obviously transitioning from one designer to another, and
we look in fact weekly/monthly at the selling rate of all of those items so that we can judge any
necessary provisions, and of course you saw us take those provisions at the end of last year.
So nothing to update you on that, it's something that we will work through. It's included in our
guidance, and obviously it's management managing the business.

In terms of the limited capsules and the collaborations and the overall impact on ASP, as part
of our strategy as you know we've looked at every single product category that we operate in,
we've looked at how we compare with peers. The important thing for us is to deliver perceptible
value to our consumers. So in some cases we will see improvements in ASP. We've
mentioned a few of those in terms of the leather range, because we're elevating the leather
goods range, and also we talked about when we did the strategy the polo shirts and that's
taking effect. So there will be some element of ASP improvement. And we're seeing signs of
that already coming through in the quarter, but it obviously will become more pronounced as
we go through the different seasons.

I think just in terms of the final question was around the season in-store versus others. We're
obviously not going to comment really any more on the sort of fashion versus replenishment
element, because the whole strategy is to move more towards fashion. So what we would say
though is the fashion component of our business is performing a lot more strongly than the old
replenishment model. But going forward we're not really thinking about it in this way anymore,
it's all about moving towards fashion, innovation, creatively led business.

**Question 5**

**Rogerio Fujimori, RBC Capital Markets**

I have some question on handbags. I think you've implied that the Belt Bag had a promising
start. I was just wondering if you could talk about how the overall category performed, and
maybe also including how some of the most important other lines are performing; how bags
are performing versus the rest of accessories? And then finally, I think you articulated that
AUR in bags is expected to increase over time with a greater penetration in the £1000-2000
segment. So what was the progress on the AUR front in bags in the quarter?

**Julie Brown**

Okay certainly so if I take the bags generally in terms of how we're doing with specific ranges
and Charlotte can probably pick up on the AUR point.

So in terms of bags we're very encouraged by the new bags that we've launched. So in the
period the new ones that are coming in, the Belt Bag obviously we launched in the previous
quarter and the D-Ring has been recently launched. Both of these are showing strong
momentum.

The Belt Bag is now the number 4 bag in the quarter so we've seen very strong performance
in terms of that. And in the full price category it's even higher than that.

And we've also had a very good launch in the D-ring, although obviously it's early days. But
the most important thing with regard to the bag range it's all about building out the bag
architecture which will take a number of seasons for us to be able to do that. An encouraging
start but these things do take some degree of time.
You asked about the rest of the accessories. So accessories performed reasonably well this quarter. The reason you don’t see the results coming through in the bag range overall so far is because we’ve also got some of the older styles the growth rate starting to slow. So basically good news with the new bags but some of the older styles starting to slow in the bag range and it’s all about building up the bag architecture.

**Charlotte Cowley**

And then just in terms of the pricing those three bags that we’ve seen launched, the Belt, the Bucket and the D ring, they’re all north of £1,200 in terms of pricing. So the medium Belt is at £1,590, the Bucket’s at £1,350 and the D-Ring top price is at £1,290. So while I haven’t got an absolute AUR of bags you can see that those newer bags are at that higher price point.

**Rogerio Fujimori**

Thank you. And just a quick follow up on trench coats have trench coats outperformed the other categories in the coats?

**Julie Brown**

Yes we’ve seen a good response, in particular we’ve seen a very good response with tropical gabardine which has been very popular in Asia. And obviously linked to that we’ve also had success in the car coat.

The heritage trench relaunch that we embarked on at the beginning of this quarter we’ve only launched it so far in 80 stores but we’ve had good initial signs from that. And we’re actually developing now new colourways in response to the response we’ve had in certain parts of the range, in particular women’s and in particular the honey colour has been extremely popular.

So we’ll have a lot more to say about that I think when we come to the half year results when we will have rolled it out further.

**Question 6**

**Melanie Flouquet, JP Morgan Milan**

Good morning. Thank you for taking my questions. My first question is regarding the Chinese consumer base in total, can you confirm what sort of growth rate it had compared to the meeting objective of the previous quarters? And can you comment on what could have driven any changes?

My second question is on the average selling price that you mention is up. Is leather goods as a category in total isn’t outperforming nor the replenishment heritage trench coat how is the average selling price going up? What is driving the average selling price?

My third quick question is on the heritage trench coat, when would you expect this to have a positive impact on your like-for-like, what is the ramp up that we should expect on this?

And my very last question is on the polo shirt, there were indications that you might want to somewhat reduce your exposure to polo shirts moving forward and I suspect that's part of your wholesale pressure, but can you help us understand how far you are and what sort of timing we should expect from this and the weight of that category?
Julie Brown

Okay so I think I’ll share these with Charlotte. So I’ll take the Chinese consumer one and then maybe Charlotte can take ASP and heritage and then I can come back on the polos.

So just in terms of the Chinese consumer what we’ve seen with the Chinese consumer globally is that in Q4, well starting off actually in terms of history, Q3 it was relatively flat last year. Q4 we had the mid single-digit growth. Q1 we’ve had a low single-digit growth overall in the Chinese consumer. What we’ve found is that they have been shopping more in Asia. So in mainland China less so, it was a low single-digit positive but there’s been more shopping in Asia and particularly we’ve had a benefit coming through in Hong Kong, Japan and Korea.

When you compare us with competitors we have lower penetration levels, as you know Melanie in both Japan and Korea at this stage. Korea just in terms of the distribution of domestic, retail versus wholesale business is impacting this. But generally speaking no change to the overall trend that we’ve seen in the months in the quarter. January, February, March it was a fairly consistent trend overall.

So I think that addresses the Chinese consumer. If we move into the ASP increase and leather goods etc.

Charlotte Cowley

Yes so actually when we look we’re seeing consumers generally trade up within categories Melanie, so that’s the biggest driver of why the AUR has been going up in the piece rather than thinking about individual categories weighing up or down, it’s actually within categories, consumers are trading up through the price point.

And then on the trench we’re still relatively early in their roll out in terms of phasing it through into like 80 or so stores they’re in at the moment. I’d encourage you not to overthink it, it is a refresh, as Julie said, one of the most popular styles is the very classic, I think it’s the Kensington Honey for women. So I wouldn’t overthink the modelling perspective of that. But clearly we’ll have a much better view when we’re able to talk to you in November because we should be much further through this roll out by then.

Julie Brown

So we did do a relaunch of the core polo. Obviously it’s a higher level material and product, the entry price is now at the £180 level, versus the £145 that we talked about previously. So we’ve seen an improvement in that.

In terms of the new polo shirt performance since the delivery, since we launched it in May we’ve seen very good traction, the new Hartford core polo has been performing extremely well with an improved rate of sales like-for-like options compared with the old Oxford version.

So that’s I think good news. What I would draw your attention to though in terms of changing the product mix is really impacting the product in wholesale is a really important part of our strategy. So our wholesalers would tend to take certain parts of our range and it wasn’t representing our full range, the full Burberry offering in wholesale in the same way as retail. So the important thing with regard to the range is to encourage the wholesalers to take the Burberry offering so that we’re representing our product equally in both the retail and wholesale networks.
Melanie Flouquet

Can I add just a quick follow-up sorry on China, on the mainland Chinese? I understand that your geographic dynamics didn’t help you very much for Korea and Japan where you don’t have a big exposure to Chinese tourists, but that was already the case in the last quarter so what created the deceleration or was it just Chinese New Year helped for meeting objectives and this is just a renormalisation?

Julie Brown

Yes I think it was a lot to do with currency and it was all to do with the fact that in mainland China we reduced the sale period by a week. So this has had an impact in mainland China probably our sales compared with some of the competitors.

Question 7

Warwick Okines Deutsche Bank London

Two quick questions actually, firstly another one on Asia I’m afraid. So in your commentary Julie you said that Q1 Asia Pac trends were broadly in line with the second half, does that mean that the growth rate was a little slower than in Q4?

And secondly on operating profits in your comments for the first half could you give some comment on the first half gross margins? I know you don’t like to comment too much about them I’m just wondering whether because of the currency impact at the cost of goods line maybe the gross margin impact will be bigger than the operating margin impact? Perhaps you can help there? Thanks.

Julie Brown

Okay so your question on the Asia trends just to clarify was it Asia or was it Chinese?

Warwick Okines

Yes Asia Pac region where the growth in Q 1 was a little slower than Q4.

Julie Brown

Yes okay so in terms of Asia as a region overall there was actually very little difference. It was practically the same number. So in both Q4 and Q1 2019 , we basically had the same growth rates, very, very similar.

In terms of the gross margin as you know currency is a headwind and we will have impacts on the gross margin and the operating margin in terms of currency. I think we’ve mentioned the impact on the margin in the first half is going to be more pronounced but we’re obviously not giving absolute pinpoint guidance on the overall impact but it was going to be more negative in the first half, both growth and operating.

Warwick O’Hynes

Okay but you can’t say whether you think the gross impacts will be bigger than the operating margin impact in H1?
Julie Brown

I'll just take a look at that. Yes it's not going to be materially different but we don't want to give pinpoint accurate numbers on it.

Warwick O'Hynes

Sure, okay that's very helpful. Thanks very much.

Question 8

Charmaine Yap, Redburn

Good morning, I have two questions please. The first one will be on Farfetch, can you please give a little bit of a comment in terms of what has surprised you given it is outperforming your expectations?

And the second one just on SKUs did you need to do any reductions in this quarter or do you plan to do any more, or is that part of the exercise now broadly done? Thank you.

Julie Brown

Okay so in terms of Farfetch it is still a small part of our business but we are delighted in the early uptick in Farfetch which has been really encouraging. We've now got exposure to 150 countries whereas Burberry previously was exposed through Burberry.com to about 44. And the early signs versus our own plan, which obviously we wouldn't be able to disclose, very, very positive.

And Farfetch also collect data in terms of the partners they work for and that's also come out very, very well for Burberry.

In terms of the SKUs we've had a major change in the SKUs since we moved from three labels to one. So just to give you a little bit of data on that, we've actually had a 35% reduction in SKUs since we've moved from the three labels and this has obviously been over the course of a number of years.

We're continuing to put pressure on options. The idea is that we're able, by having actually fewer options and I guess less complexity, the innovation in our stores shows more clearly and that's been the major drive that we've had, to be able to show the innovation more clearly in our stores.

Concluding comments: Julie Brown

Thank you very much for joining us today. We look forward to updating you at the interim results on 8th November and I wish you all a marvellous and well deserved summer. Thank you very much.