

# BURBERRY


LONDON ENGLAND





# BURBERRY IN A SNAPSHOT

**BRITISH LUXURY BRAND**

- Authentic British heritage
- Made in England
- Founded in 1856 by Thomas Burberry




**OVER 10,000 EMPLOYEES WORLDWIDE**

**FTSE 100 MEMBER**

- Ordinary shares traded in London
- ADR programme



**SUSTAINABILITY AGENDA**

- Dow Jones sustainability Index member
- Principal Partner Living wage foundation
- Five year responsibility agenda

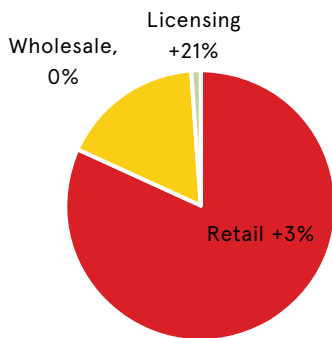


**FY 2018**

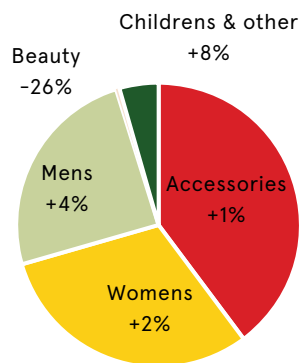
- £2.7bn revenues
- £467m adj. EBIT



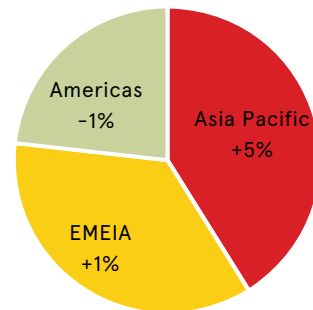
**GROUP REVENUE\* BY CHANNEL**



**RETAIL/WHOLESALE REVENUE\* BY PRODUCT**

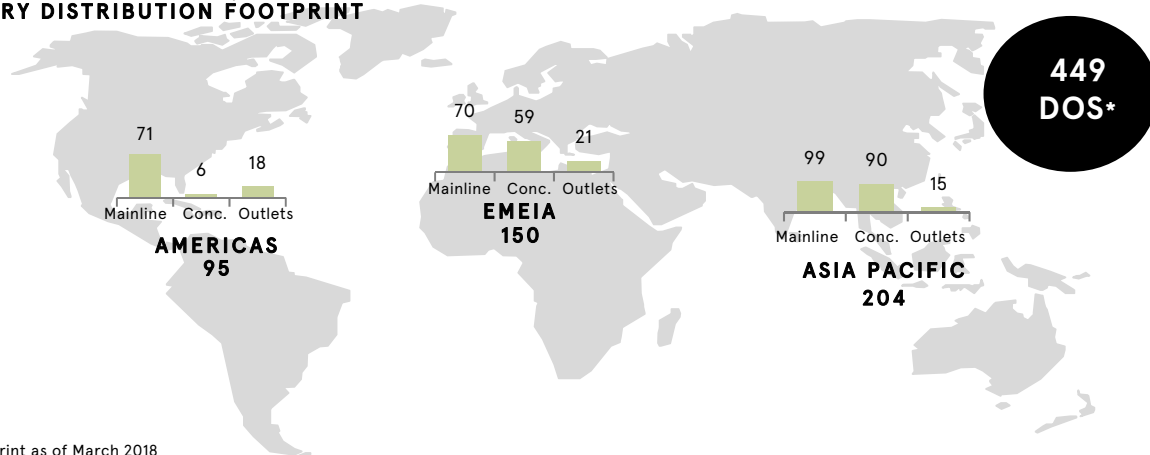


**BY REGION**



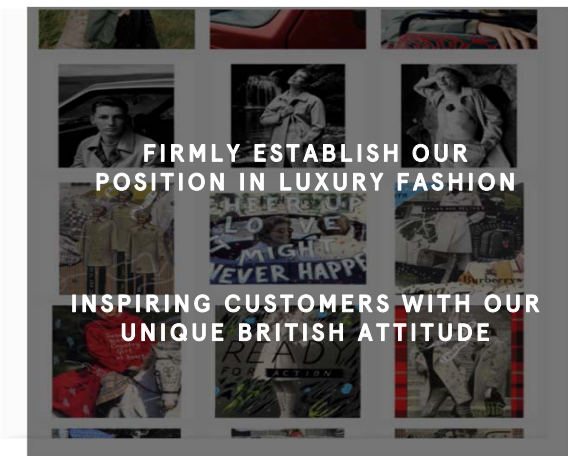
Group FY 2018 revenue: £2,733m  
\*Growth is CER, excluding Beauty wholesale

**WE HAVE AN EXTENSIVE, LUXURY DISTRIBUTION FOOTPRINT**

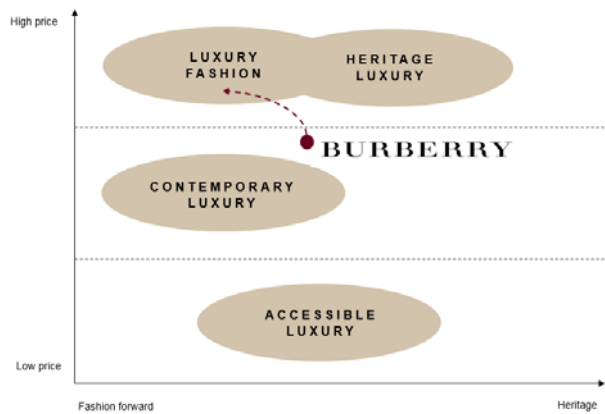


\*Footprint as of March 2018  
Burberry also has 46 franchise stores

# OUR VISION



## SHARPENING OUR BRAND POSITIONING



## REVENUE DRIVERS TO REIGNITE THE BRAND



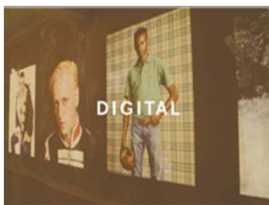
### Luxury fashion house

- Increase fashion content
- Transform leather goods
- Continuous engagement
- Wardrobe the customer
- Rebalance price architecture



### Luxury network

- Transform in-store customer service experience
- Upgrade and reduce non-luxury PoS (net 20 store closures in FY 2018)
- New store concept
- Grow image-driving wholesale



### Lead digital innovation

- Editorialised website and meaningful social content
- Omnichannel experience
- Strengthen third party partnerships (FarFetch)

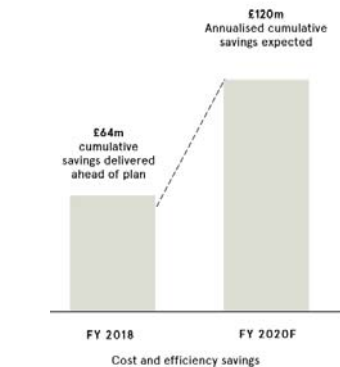


### Inspire luxury consumers

- Product at the heart of communications
- Focus on experiences and collaborations

## STRATEGY ENABLERS

### An agile company



### Highly engaged global team

- Increase employee engagement
- Promoting a creative culture
- Strengthen skills and capabilities
- Positively impacting community and environment
- Simplifying ways of working

## OUR AMBITION

### A TWO PHASED TRANSFORMATION JOURNEY

#### BUILD THE FOUNDATION

- Commence programme to re-energise the brand
- Rationalise and invest to align our distribution
- Manage creative transition

Broadly stable revenue and adjusted operating margin for FY 2019 and FY 2020 (CER)

#### ACCELERATE AND GROW

- Complete full brand transformation, including alignment of distribution
- Accelerate growth

High single digit revenue growth  
Meaningful adjusted operating margin improvement (CER)

### RESPONSIBILITY GOALS FOR FY 2022

#### DRIVE POSITIVE CHANGE THROUGH ALL PRODUCTS

Ensure 100% of products have >1 positive attribute (social and/or environmental)

**FY 2018 progress:**  
42% of products with 1 or more positive attribute

#### BECOME CARBON NEUTRAL AND REVALUE WASTE

Improving energy efficiency and reducing carbon consumption. Target 100% renewable sourced energy

**FY 2018 progress:**  
20% reduction in market-based CO2e emissions

#### POSITIVELY IMPACT 1 MILLION PEOPLE

Primarily supporting the Burberry Foundation in delivering impactful community projects

**FY 2018 progress:**  
23k people positively impacted in Yorkshire, London and Italy

### OUR CAPITAL ALLOCATION FRAMEWORK

#### REINVEST FOR ORGANIC GROWTH

1

Capex  
FY18: £106m  
FY19&20: £160-£170m  
FY21-23: £190-£210m

#### PROGRESSIVE DIVIDEND POLICY

2

Dividend  
FY18: 41.3p up 6%

#### STRATEGIC INVESTMENTS

3

Acquiring a luxury leather goods business. Completion expected Sept 2018

#### RETURN EXCESS CASH TO SHAREHOLDERS

4

Share buyback  
FY18: £350m  
FY19: £150m

**MAINTAIN STRONG BALANCE SHEET WITH SOLID INVESTMENT GRADE CREDIT METRICS**

## FINANCIAL REVIEW

### Q1 trading update (11 July 2018):

#### Retail revenue +3% CER, with comp +3%

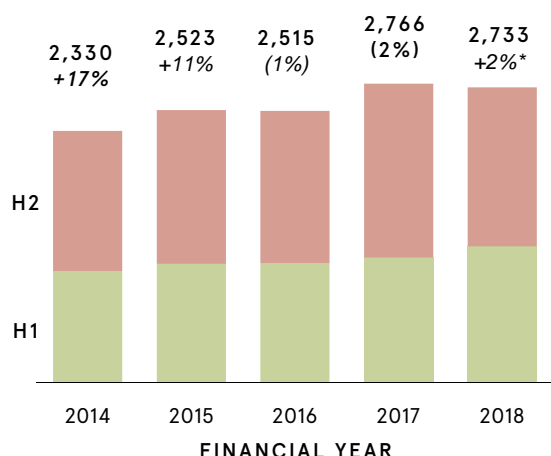
- **Asia Pacific:** mid-single digit percentage growth
  - Growth in Mainland China with other Asian countries benefiting from Chinese tourist spending
- **EMEA:** low single digit decline
  - Softer tourist demand in the UK and Continental Europe
- **Americas:** high single digit percentage growth
  - The improved trends seen in Q4 18 continued and footfall was positive

#### OPERATIONAL PROGRESS IN Q1 2019

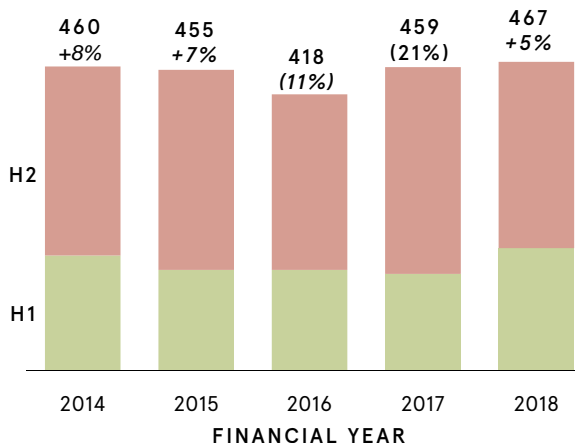
- Invested in key markets including relocating and expanding our Dubai flagship store and closing two additional outlets
- Pop up stores showcased new handbags globally
- Completed global roll out of new digital clienteling tool supporting enhanced customer service
- Farfetch collaboration performed ahead of expectations
- Announced a new model of engaging consumers with frequent, sometimes unexpected drops of fresh product
- Luxury leather goods acquisition proceeding as planned
- Commenced £150m share repurchase programme

£ million			% change	
Twelve months to	2018	2017	reported	CER#
31 March			FX	
<b>Revenue</b>	<b>2,733</b>	<b>2,766</b>	(1)	(1)
<b>Revenue ex. Beauty wholesale*</b>	<b>2,660</b>	<b>2,595</b>	2	2
<i>Retail comparable store sales*</i>	3%	1%		
<b>Adjusted operating profit*</b>	<b>467</b>	<b>459</b>	2	5
Adjusted operating profit margin	17.1%	16.6%		
<b>Reported operating profit</b>	<b>410</b>	<b>394</b>	4	
Adjusted Diluted EPS (pence)*	82.1	77.4	6	10
Diluted EPS (pence)	68.4	64.9	5	
Free cash flow	484	465	4	
Dividend (pence)	41.3	38.9	6	

### REVENUE £M



### ADJUSTED OPERATING PROFIT £M



Growth at constant exchange rates \* excluding beauty

### FY 2019 OUTLOOK BROADLY STABLE REVENUE AND OPERATING MARGIN (@ CER)

REVENUE	Retail	Net space impact -1%
	Wholesale (ex. Beauty)	Low single digit % decline
	Licensing	+ £15m
PROFIT	Cumulative cost savings	£100m (incremental £36m)
	Restructuring charges	£35m
	Effective tax rate	c.24%, moving towards the range of 23-24% by FY2020
CASH	Capex	£160-170m
	Share buyback	£150m
FX	FX on Adjusted Operating Profit	£25m* negative impact vs FY 2018

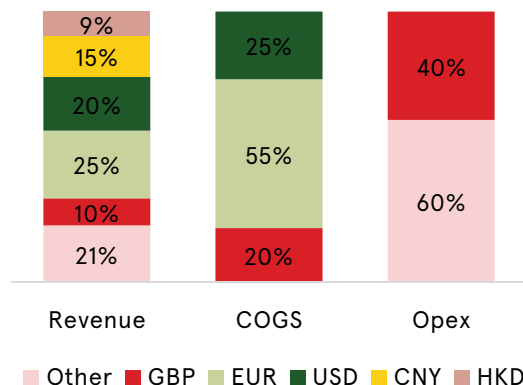
## FOREIGN EXCHANGE

Exchange rates	Forecast effective rates for FY 2019		Actual average exchange rates
	29 June 2018	30 April 2018	
£1=			FY 2018
Euro	1.13	1.14	1.13
US Dollar	1.32	1.38	1.33
Chinese Yuan Renminbi	8.68	8.71	8.79
Hong Kong Dollar	10.34	10.81	10.37
Korean Won	1,466	1,473	1,473

### Currency sensitivity:

In FY 2018, a +/-5% move in sterling would have resulted in a -/+£45-50m impact on the adjusted operating profit of £467m

## FX EXPOSURES IN FY 2018



*This is a simplified view of Burberry's FX exposures to help with analyst modelling  
Other includes HKD, USD, EUR and CNY in opex*



Marco Gobbetti became Chief Executive Officer on 5 July 2017. Marco joined Burberry from French luxury brand Céline where he was Chairman and CEO from 2008 to 2016. Prior to this, he served as Chairman and CEO of Givenchy and CEO of Moschino. He has also worked at Bottega Veneta and Valestra



Julie Brown became Chief Operating and Financial Officer on 18 January 2017. Julie was Chief Financial Officer of Smith & Nephew from 2013 to 2017. Prior to this Julie was with ICI and AstraZeneca plc from 1987, where she held the positions of Interim Group CFO, Vice President Group Finance, VP Corporate Strategy and Regional Vice President Latin America. She is also a Non Executive Director and Audit Committee Chair of Roche Holding Ltd.

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Constant exchange rates (CER) 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.

Revenue excluding Beauty wholesale is presented to exclude Beauty wholesale revenue of £73m (2017: £171m) from total revenue to provide an understanding of the revenue of the business following the disposal of the Beauty business in October 2017.

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.

Cumulative costs savings are savings compared to FY 2016 operating expenses.

Certain financial data within this presentation have been rounded.