19 March 2020

Burberry Group plc

Update on the impact of COVID-19

"Since our February update, the material negative effect of COVID-19 on luxury demand has intensified and is now impacting the industry in all regions. Our primary concern is the global health emergency and we continue to take every precaution to help prevent the spread of the virus and ensure the safety and wellbeing of our employees, partners and customers. We are implementing mitigating actions to contain our costs and protect our financial position, underpinned by our strong balance sheet. We remain confident in our strategy and the strength of our brand and I am exceptionally proud of our teams' resilience and commitment." Marco Gobbetti, Chief Executive Officer

Given the ongoing escalation of the COVID-19 pandemic, we wanted to update the market on the impact on our business as we approach the end of FY 2020 (28 March 2020).

Since 24 January 2020, trading has deteriorated significantly with comparable retail store sales tracking between -40% and -50% over the last six weeks.

As we set out in our announcement on 7 February 2020, our sales losses in February were predominantly in our Asian markets. While trading in Mainland China has started to improve with the reopening of most of our stores, sales in EMEIA and the Americas have fallen materially in recent weeks. More than 60% of our stores in EMEIA and around 85% of our stores in the Americas are currently closed with those still open operating with reduced hours and with very weak footfall. In total, around 40% of our directly operated stores globally are closed with additional closures expected over the coming days.

Following the significant escalation of governmental trading, travel and social restrictions in recent days and the inevitable impact this will have on demand, we are expecting our comparable retail store sales in the final weeks of the year to be within the range of -70% to -80%. As a result, we now expect Q4 2020 comparable retail store sales to be around -30%.

We are implementing mitigating actions to contain costs and protect our financial position, including renegotiating rents, restricting travel and reducing discretionary spending. Our primary concern is the global health emergency and we are taking appropriate measures to help prevent the spread of the virus and ensure the safety and wellbeing of our employees, partners and customers, while following government guidelines in all our markets. These include implementing home working for the majority of our office-based teams and reducing work patterns and introducing specific shift rotations for teams whose roles cannot be performed remotely as well as putting in place strict protocols for hygiene and social distancing.

We remain confident in the strength of our brand and our strategy. Until 24 January 2020, the consumer response to the new product was very positive and as such, we are protecting key growth initiatives in preparation for a recovery in luxury demand.

We have significant financial headroom including liquidity of £0.9bn from £0.6bn cash balances (before lease obligations) and a £0.3bn Revolving Credit Facility. In terms of leverage, at September 2019, we had £0.4bn of net debt including lease liabilities and we are operating with a net debt including lease liabilities to EBITDA ratio within our targeted range of 0.5x to 1.0x.

This announcement anticipates and replaces our planned extraordinary trading update in April. Our next scheduled announcement is our Preliminary Results in May 2020.

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Notes to editors

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