



MARCO GOBETTI
Chief Executive Officer

CEO'S LETTER

“Now more than ever, our strategy to anchor Burberry firmly in luxury fashion is key.”

DEAR SHAREHOLDER,

Recent months have been unlike any others I have experienced at Burberry, or indeed in my career. The COVID-19 pandemic has created upheaval on a global scale while changing the smallest details of our everyday lives and I would like to express my deepest sympathy to anyone who has been personally affected by the virus.

At the time of writing, many of us at Burberry are still working remotely but I am pleased to confirm that the energy, passion and commitment of our teams remain undimmed. Technology is enabling us to be more connected than ever and we have a robust plan in place to navigate the next 12 months.

Prior to the outbreak of the disease, we were on track to move to the second phase of our transformation. We had strong momentum around our brand, building heat through high-impact campaigns and immersive experiences. The consumer response to our product was very positive, with new collections delivering double-digit growth on the prior year and our new leather goods styles performing well. We made good headway aligning our distribution network to our new creative vision, while opening new flagship stores in key cities such as Tokyo and Beijing and completing the transition of our US wholesale to luxury fashion. In digital, we built on our leadership position, innovating with games and our B Series product drops, which drove record consumer engagement.

This contributed to sales growth in the first nine months of the year that was ahead of our expectations, despite the challenges in Hong Kong S.A.R.

The global health emergency has inevitably checked some of our momentum and led to a material impact on our business in the fourth quarter. By the end of March, we had closed 60 percent of our retail stores. Our factories and distribution centres were either shut or operating at reduced capacity and the majority of our office-based teams were working remotely.

FY 2019/20 PERFORMANCE

As a consequence, we delivered FY 2019/20 results that were significantly below where we had expected to be by the end of the financial year.

- Revenue was £2.6 billion, down 3% at reported rates, and 4% at constant exchange rates (CER).
- Adjusted operating profit on a pro forma* basis was £404 million, down 8% at CER.
- Reported operating profit was £189 million, down 57%, after charging £244m of adjusting items, predominantly related to asset impairments resulting from the expected impact of the pandemic on our future trading.
- Pro forma* adjusted diluted earnings per share (EPS) was 77.9p, down 5% at CER.
- Diluted EPS was 29.8p, down 64%.

RESPONDING TO COVID-19

The progress we made over the past two years has enabled us to respond quickly and adapt our business. Our enhanced brand and product offering, as well as our digital strength, have also made Burberry more resilient as we navigate these challenging times. Now more than ever, our strategy to anchor Burberry firmly in luxury fashion is key.

We took swift action to contain costs and protect our financial position, while reallocating resources to focus on growing markets and in preparation for a rebound. We created new ways and opportunities to deepen our connection with consumers, leveraging our digital capability. Throughout, we prioritised the safety and wellbeing of our teams, our customers and our partners.

At the same time, we looked beyond Burberry, mobilising our business to support the relief efforts. We contributed to funding emergency vaccine research at the University of Oxford. We made significant donations to charities alleviating food poverty and we set up the Burberry Foundation COVID-19 Community Fund to raise additional contributions globally.

We also retooled our trench coat factory in Castleford to manufacture personal protective equipment (PPE) for medical and care workers and sourced surgical masks through our supply chain. By the end of May, we had donated more than 150,000 pieces of PPE to the UK's National Health Service and healthcare charities, and this number has been growing by the thousands daily.

I would like to give special mention to our inspirational teams in Castleford, our mill in Keighley and our distribution centre in Blyth for their support towards the relief efforts. I am humbled by the way they have continued Thomas Burberry's legacy of protecting others and caring for the community.

OUR PURPOSE AND VALUES

In such unprecedented circumstances, it has been vital for us to understand why we do what we do and why that matters. As the Chairman noted in his letter, Burberry's purpose reflects our shared belief that creativity has the power to open spaces – for ourselves, for our customers and for our communities. This was our founder's outlook. Being creatively driven, open and caring, proud of our heritage and forward thinking describe Burberry at its best, from Thomas Burberry to today, and never have such values been more relevant. Our purpose is our North Star and it will continue to guide us.

Creating a culture that is truly open and inclusive is part of this. We want to ensure that our working environment and practices create the best possible professional experience for our employees and a sense of belonging so they all feel supported and encouraged to succeed, particularly during times of change. During the course of the year, we set up internal and external councils to support these goals and ensure we continue to evolve. In addition, we launched a new global parental leave policy, setting a coherent and equitable approach in all markets.

We also continued to drive positive change and build a more sustainable future, making good progress on our Responsibility Agenda. This included launching a Regeneration Fund to help further reduce our carbon footprint; working with cotton growers in the USA to develop a fully-traceable organic cotton supply; and rolling out dedicated sustainability product labelling across all key-product categories so our customers could better understand our environmental credentials.

LOOKING AHEAD

Although it is impossible to determine the precise course of the pandemic and its economic consequences, we are well prepared for a range of potential outcomes.

We have a strong set of initiatives in place to continue to excite and inspire our customers and maintain brand heat, which has remained strong. We are building bespoke plans for each market, rapidly reallocating resources towards rebounding economies. Given decreased travel, we have also intensified our focus on local consumers to meet domestic demand.

* Pro forma result is an estimation of the FY 2019/20 results when applying the previous accounting standard for leases, IAS 17.

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We are encouraged by the early signs in Mainland China and South Korea, which, within weeks of reopening have returned to positive growth. Our rebound in these markets has been supported by the strong brand positioning we hold there. With COVID-19 accelerating the connection between online and offline, we are particularly excited about the launch of our new social retail store in Shenzhen with Chinese technology leader Tencent later this year. We believe this will be a fundamental testing ground for the new way in which consumers will experience our stores.

Creating new ways of reaching our customers, such as through live streaming and remote selling, will remain critically important over the next few months as lockdowns gradually ease and consumers slowly regain their confidence.

Digital, where we have seen strong double-digit increases in demand throughout the crisis, will also be transformational. We will continue to focus here, driving performance through large scale, immersive activations and innovations, including gaming and through WeChat Work, part of our collaboration with Tencent.

In terms of product, we will extend our Spring and Summer seasons to make up for lost trading and adjust the timeline for our Autumn and Winter deliveries to optimise sales of the collections when they arrive in store. We will continue to engage customers through our upcoming capsules and building on the good trajectory we have established, leather will remain an important part of our offer.

All our efforts will be underpinned by rigorous financial discipline to maintain and secure liquidity as required, while leaving space for investment as markets recover.

I would like to thank our teams worldwide for their dedication and resilience over the past year. It will take time to heal from this terrible pandemic but I believe our customers will look to Burberry to make them dream again. It is up to us to surprise and delight them through ingenuity, innovation and above all beautiful product. Witnessing the resourcefulness and creativity of our teams in recent months, I am confident that we will as we focus on securing our position in luxury fashion.

On behalf of everyone at Burberry, I hope that you, our shareholders, and your loved ones keep safe and healthy as we navigate these extraordinary times.

MARCO GOBETTI
Chief Executive Officer