

# CHIEF EXECUTIVE OFFICER'S LETTER



"WE HAVE  
TRANSFORMED OUR  
BUSINESS AND BUILT  
A NEW BURBERRY,  
ANCHORED FIRMLY  
IN LUXURY."

**Dear Shareholder,**

Since last year's report, the COVID-19 pandemic has continued to impact livelihoods and industries globally, often to devastating effect. Yet, with each passing day, hope grows that brighter days are ahead thanks to the brilliance and dedication of members of the scientific and medical communities. I would like to extend my gratitude to them for their heroic efforts.

Having donated to University of Oxford's emergency vaccine research and UNICEF's COVID-19 Vaccines Appeal, the development and distribution of vaccines have special resonance for everyone at Burberry. We have witnessed first-hand the incredible feats that can be achieved when individuals and communities come together, united by a common goal.

In the last 12 months, our teams have faced the challenges posed by the global health crisis with similar energy and resolve, guided by our purpose. From manufacturing and donating PPE to healthcare professionals, to leveraging technology to inspire and excite our customers, time and again our people have shown the creativity to open spaces that defines Burberry.

Lockdowns and measures to curb the spread of the virus led to a significant decline in luxury spending in FY 2020/21. Despite reductions in operating hours and an average 18% of our global store network being closed in the year, we adapted swiftly to the circumstances and delivered a strong set of results, ending the financial year with good full-price sales growth.

**FY 2020/21 performance**

As a consequence, we delivered FY 2020/21 results that demonstrated our resilience and adaptability in responding to the COVID-19 pandemic:

- Revenue was £2.3 billion, down 11% at reported rates and 10% at constant exchange rates (CER) due to the impact of store closures and reduced tourism. After a very challenging first quarter, revenue performance showed a strong recovery in the second half of the year

- Adjusted operating profit was £396 million, down 8% at CER, due to the impact of the reduction in revenue, but partially offset by strong cost management
- Reported operating profit was £521 million, up 176% including income from adjusting items of £125 million, compared to charges of £244 million in the previous year. The adjusting items credits mainly related to partial reversals of the charges from the previous year and the benefit of short term rent rebates negotiated as a result of store closures
- Adjusted diluted earnings per share (EPS) was 67.3p, down 14% at CER
- Reported diluted EPS was 92.7p, up 211%

**A new Burberry**

Over the past three years, our goal has been to re-energise our brand, renew our product and elevate the customer experience, while maintaining broadly stable sales and adjusted operating margin. Even with the challenges presented by the pandemic, in this first phase we achieved our objectives. We have transformed our business and built a new Burberry, anchored firmly in luxury.

We have completely refreshed our brand image with strong, coherent codes. We have renewed all touchpoints, focusing on social-first and video-led content and creating unexpected, authentic and culturally relevant experiences. We have elevated our position in every market, amplifying our visibility through influencers and key opinion leaders, and increasing our share of editorial coverage in impactful titles.

With Riccardo Tisci, our Chief Creative Officer, we have elevated our ready-to-wear offer across runway and mainline and diversified our outerwear, transitioning to a higher share of technical and eco-fabrics. Importantly, we have built a genuine luxury fashion leather goods business, with a range of shapes that cater to different customers' preferences, and raised the bar in terms of quality.

“IN THIS NEXT CHAPTER, WE WILL LEVERAGE OUR UNIQUE BRAND EQUITY TO DELIVER SUSTAINABLE, HIGH-QUALITY GROWTH, WHILE CONTINUING TO BE A FORCE FOR GOOD IN THE WORLD.”

We have also aligned our distribution to our new positioning. We have upgraded our stores' look and feel and introduced a new store concept. We have transformed the in-store experience and launched industry-leading digital innovations that embody our values of creativity and forward thinking.

As a result, we have attracted a new luxury customer with strength across key regions for luxury market growth.

#### **Managing through COVID-19**

The progress we made enabled us to adapt to COVID-19. In FY 2020/21, supported by the strong foundations we have built, we drove performance through new product and engaging communications, and shifting our focus to rebounding economies and digital channels.

We continued to inspire and excite customers with emotive campaigns and brand activations rooted in our heritage and history of adventure and exploration, and adopting a highly-localised approach in each market. We reimagined how we showcase our collections digitally and in doing so made the experience truly inclusive.

We delivered strong growth in our core categories, leather goods and outerwear. We also leveraged our digital capabilities to bridge online and offline, created a new paradigm with our Social Retail store in Shenzhen, and enabled our customers to book video appointments with our Sales Associates and browse products as if they were in store.

We built flexibility into budgets and resources so that as regions started to recover we were ready to capture opportunities where and when they arose. Consequently, our performance was strong in all rebounding luxury markets, including Mainland China and the USA. All our efforts were underpinned by financial discipline.

At the same time, inspired by Thomas Burberry, we focused on making a positive difference.

Throughout the year, we prioritised the health and wellbeing of our people. We implemented rigorous safety measures across all our sites, while providing resources to support our teams and flexibility, acknowledging many have additional caregiving responsibilities. We harnessed technology to stay connected and maintain a sense of community.

We made significant progress on our commitment to build a more diverse, equitable and inclusive organisation, rolling out our global Diversity and Inclusion strategy to attract and retain diverse talent, foster an open and inclusive culture and drive education and awareness. We became the first luxury company to partner with the Business Disability Forum, Investing in Ethnicity and the Stonewall Diversity Champions Programme, and we joined the Valuable 500. We continued our support for London Youth and The Prince's Trust Women Supporting Women initiative, providing resources and development opportunities for young women. Our commitment to gender equality was recognised by our inclusion in the 2021 Bloomberg Gender-Equality Index and a leading position in the final report from the Hampton-Alexander Review for women in leadership in the FTSE 100, for the third consecutive year.

In addition to PPE, through separate donations from The Burberry Foundation COVID-19 Community Fund and Burberry, we provided hundreds of thousands of meals and essential healthcare and social services to those in need. I am especially proud of our partnership with Marcus Rashford MBE and charities supporting young people from disadvantaged backgrounds in the UK, USA and Asia.

We also maintained our focus on driving positive change and building a more sustainable future through our Responsibility agenda. In particular, we made significant progress towards decarbonising our own operations, while continuing to work with suppliers to reduce our indirect carbon emissions. All our stores in Mainland China are now carbon neutral and we are on track in FY 2021/22 to use 100% renewable electricity and have a carbon neutral footprint across all our operations globally. As the Chairman mentioned, we issued our first-in-luxury Sustainability Bond to support our ambitions in the this space.

### **The next chapter**

The luxury industry is still facing significant challenges due to the pandemic but there is growing confidence that it will return to 3-4% annual growth in the medium to long term as international travel flows start to recover from 2022 onwards.

Having successfully executed Burberry's transformation and established a strong foundation, we are well positioned to embark on growth and acceleration. In this next chapter, we will leverage our unique brand equity to deliver sustainable, high-quality growth, while continuing to be a force for good in the world.

Burberry is a unique, powerful brand, with deep roots that set us apart from our peers, grounded in our rich heritage and the principles of our founder Thomas Burberry. We want to be recognised by consumers for being a purposeful, values-driven brand, committed to doing the right thing; an authentic luxury outerwear pioneer, bringing a uniquely British perspective; a true luxury fashion house, with a relentless focus on quality and craft; and a beacon of creativity, imagination and innovation.

To achieve our objectives, we will build brand advocacy and community through distinctive and meaningful storytelling, formats and experiences that inspire and

excite highly influential luxury consumers. We will focus on our core luxury categories, drawing on the strong offer we have built while maintaining our focus on our anchors of outerwear and leather goods. We will continue to enhance the way we connect with our customers to create a truly omnichannel luxury experience, while focusing on local consumers in our key markets. We will supercharge digital, maintaining our leadership and we will continue to focus on full price.

All the while, we will exert operational leverage, while also reinvesting in critical areas for future growth. We will enable the delivery of our strategy, including through an agile supply chain that delivers exceptional quality and service, consumer technology that allows us to enhance the customer experience, attracting and retaining diverse, world-class talent and maintaining operational efficiency.

Throughout, we will retain our focus on social and environmental responsibility. This is the purest expression of our purpose and values and we are committed to continuing to build not only a financially stronger Burberry but also a better company. We will create the conditions for creativity to thrive by championing diversity, equity and inclusion and supporting the wellbeing of our people. We will support our communities, in particular young people, providing more of them with the skills, confidence and opportunities to succeed. Lastly, we will create a more sustainable future for luxury by further reducing our environmental impacts and helping transform our industry.

I would like to thank our teams worldwide for their passion, energy and commitment. Being creatively driven, forward thinking, open and caring, and proud of our heritage are hallmarks of our organisation at its best and this year my colleagues demonstrated these values consistently. Having witnessed their resourcefulness and creativity first hand, I have every confidence that through their imagination, inventiveness and ingenuity, we will continue to push boundaries, open new opportunities and realise our vision for Burberry.

### **Marco Gobbetti**

Chief Executive Officer