

BURBERRY

INVESTOR PACK
JANUARY 2018

OUR VISION

**FIRMLY ESTABLISH OUR
POSITION IN LUXURY FASHION,
INSPIRING CUSTOMERS WITH
OUR UNIQUE BRITISH ATTITUDE**

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



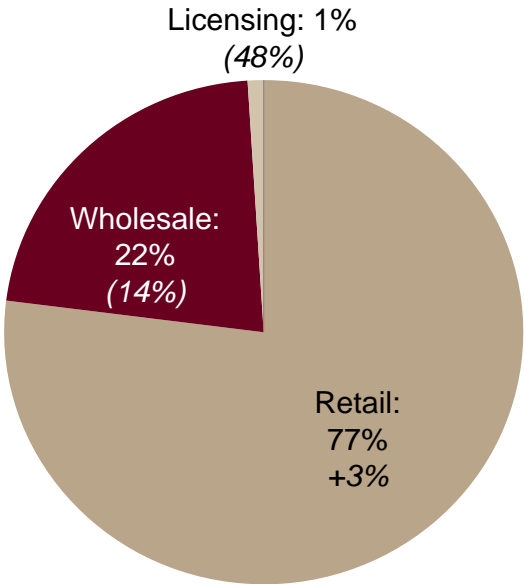
FY 2017

- £2.8bn revenues
- £462m adj. PBT



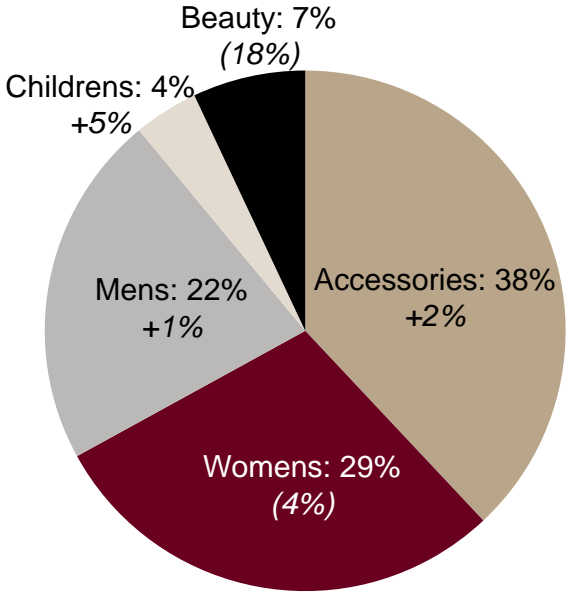
BURBERRY IN A SNAPSHOT

GROUP REVENUE BY CHANNEL



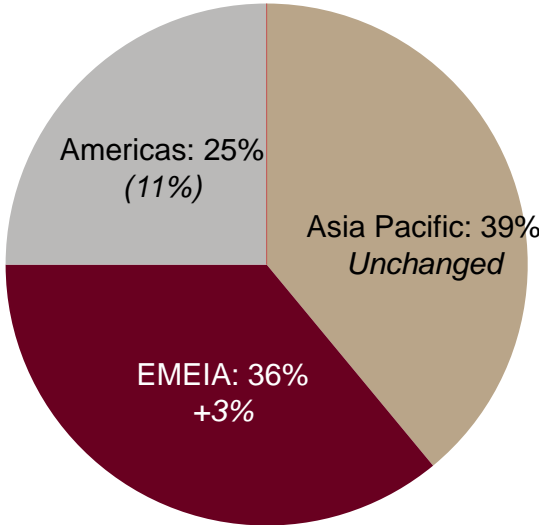
FY 2017: £2,766m

RETAIL/WHOLESALE REVENUE BY PRODUCT



FY 2017: £2,741m

RETAIL/WHOLESALE REVENUE BY REGION

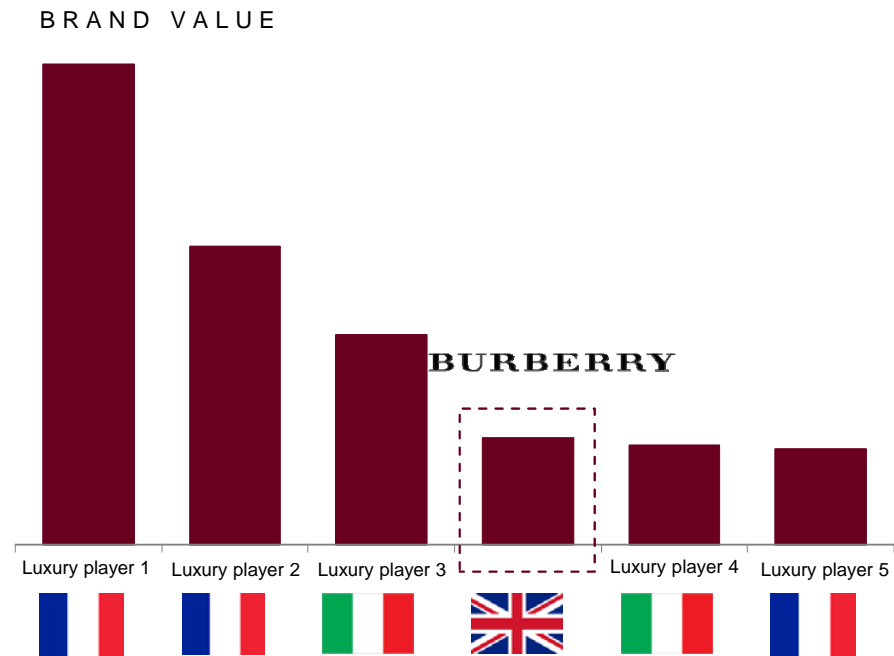


FY 2017: £2,741m

% Growth on underlying basis

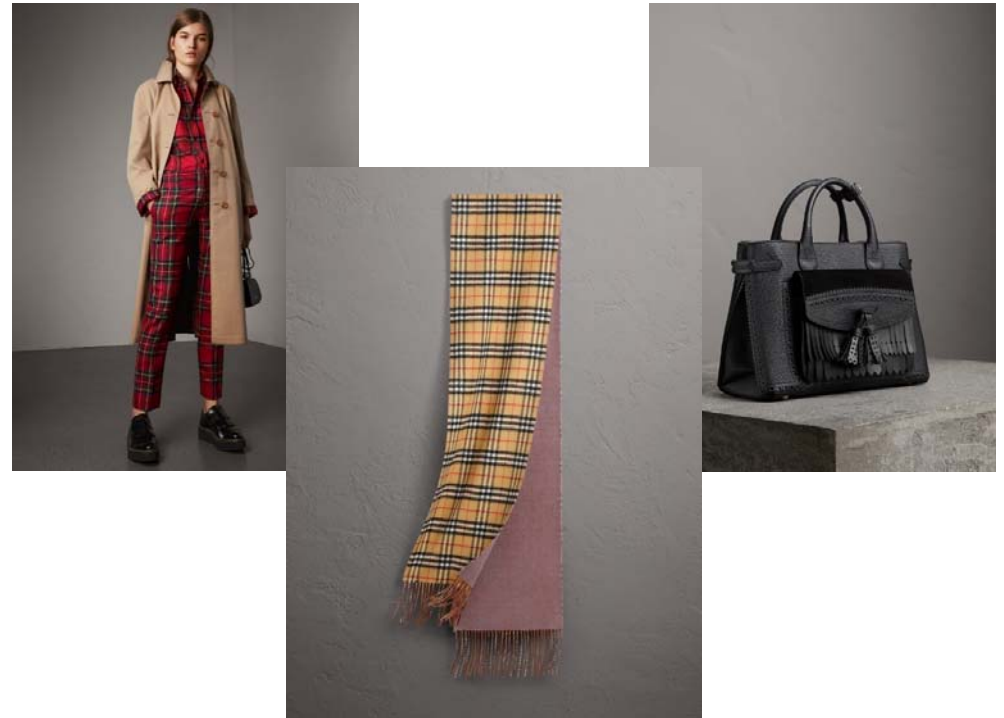
BURBERRY IS AN ICONIC BRAND

ONE OF THE MOST VALUABLE LUXURY BRANDS IN THE WORLD

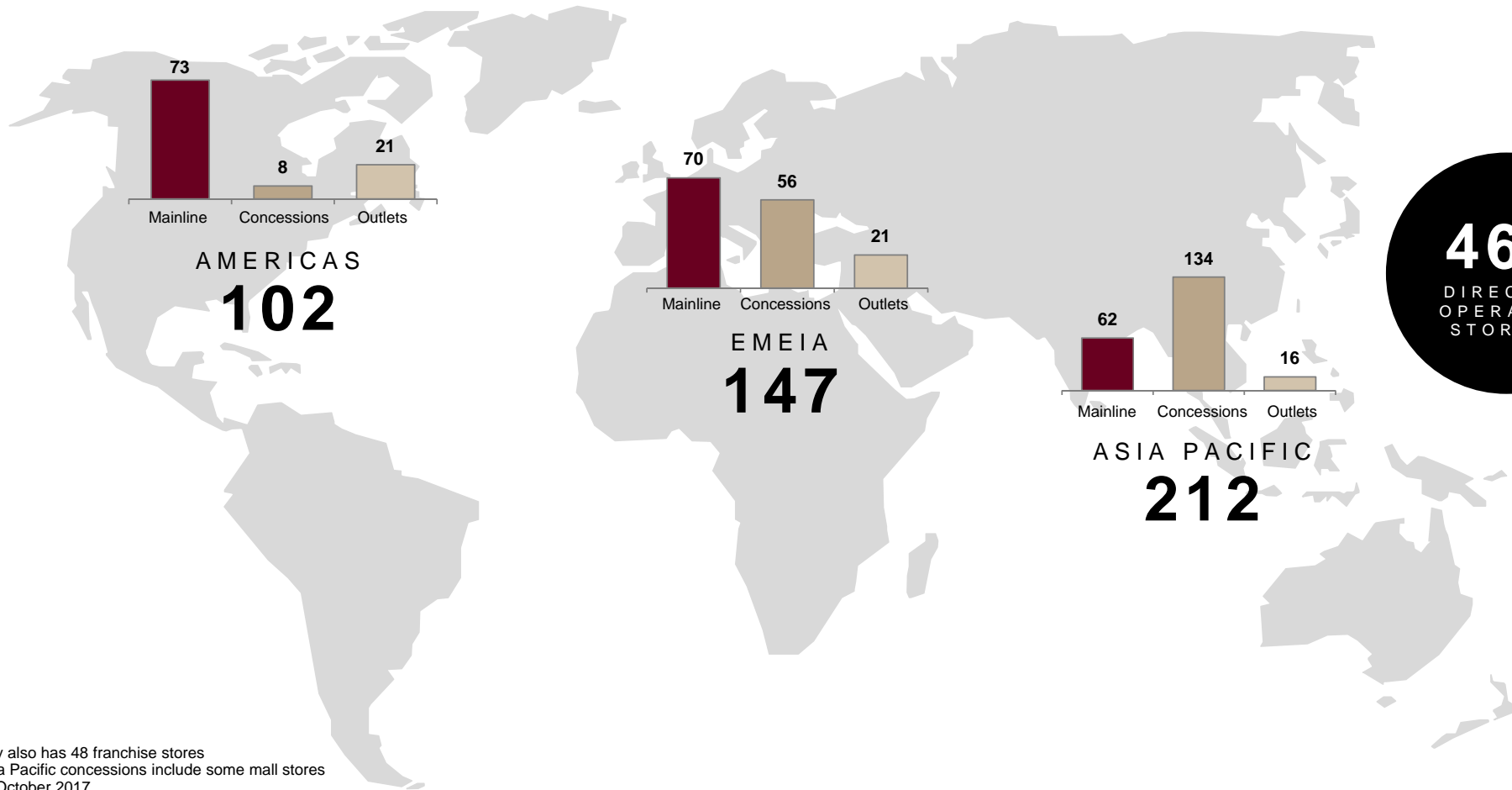


Source: Interbrand Best Global Brands 2017 Rankings

STRENGTH ACROSS MULTIPLE CATEGORIES



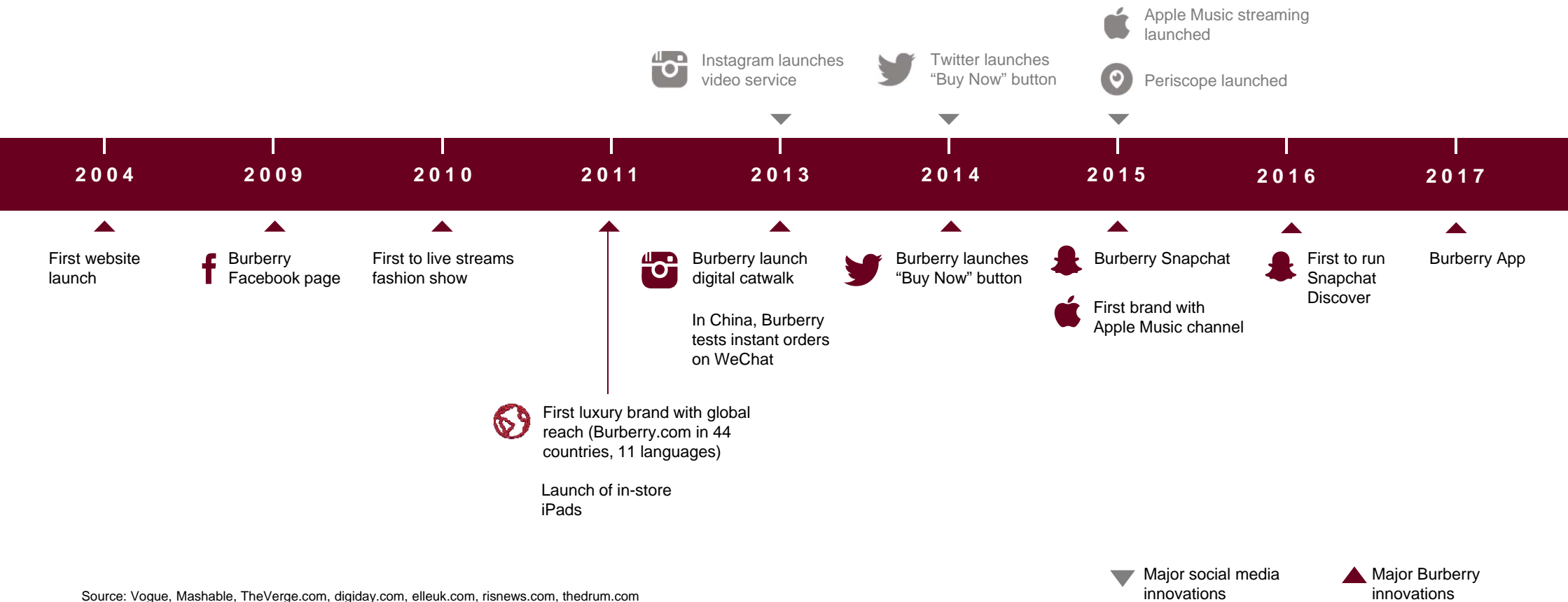
WE HAVE AN EXTENSIVE, LUXURY DISTRIBUTION FOOTPRINT



461
DIRECTLY
OPERATED
STORES*

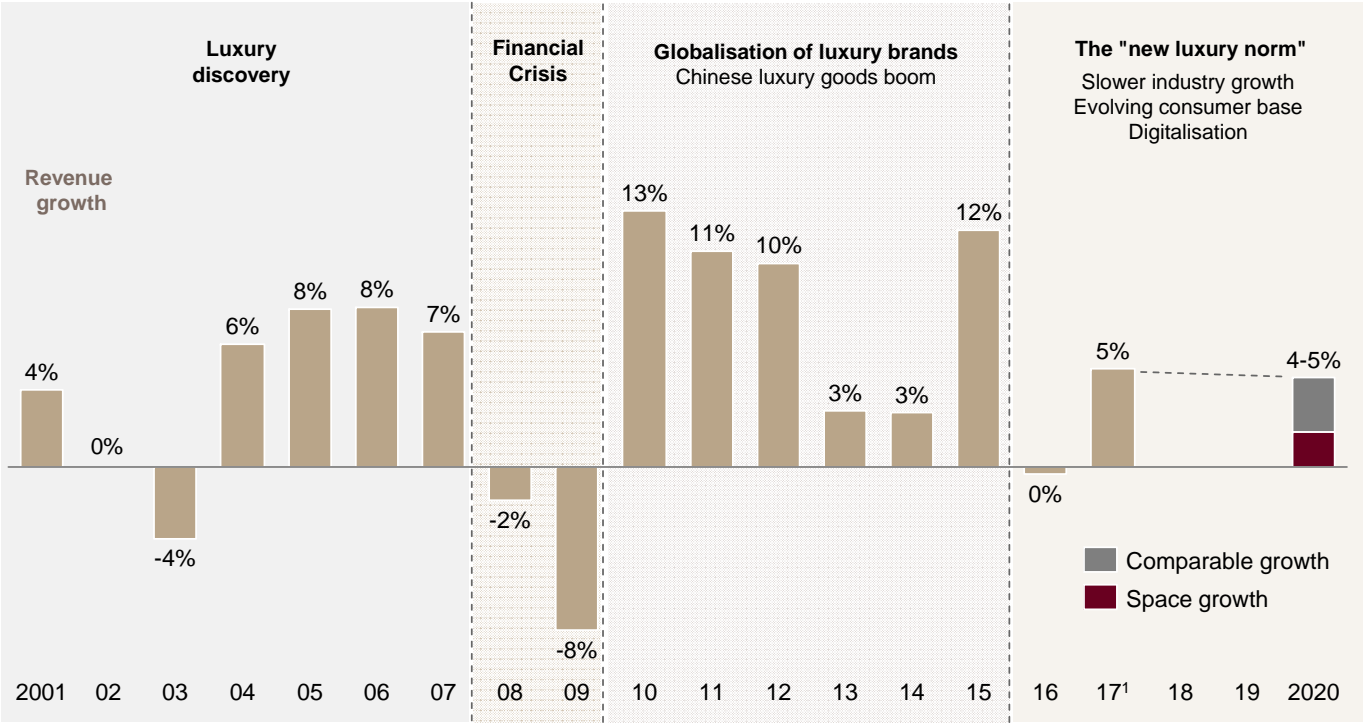
* Burberry also has 48 franchise stores
Note: Asia Pacific concessions include some mall stores
As of 31 October 2017

WE ARE THE DIGITAL INNOVATOR IN THE INDUSTRY



Source: Vogue, Mashable, TheVerge.com, digiday.com, elleuk.com, risnews.com, thedrum.com

NOW OUR SECTOR IS CHANGING



Luxury industry growth is expected to be 4-5% in the medium-term

Future growth will be driven by

- Comp vs. space
- Volume vs. price
- Digital

Industry economics are evolving, with growth becoming more expensive than in the past

1. 16/17 growth is +5% based on current exchange rate, but +6% with constant exchange rate
 Source: Bain luxury goods worldwide market study, October 2017

LUXURY CUSTOMERS ARE ALSO CHANGING

FROM ...

TRADITIONAL
LUXURY

EXCLUSIVE
PRICE POINTS

LISTENING TO
BRAND STORIES

BEING PART
OF THE ELITE

STATUS

BRAND
LOYALTY



TO ...

CASUALISATION,
FASHION AND FUN

CREATIVITY ACROSS
ALL CATEGORIES

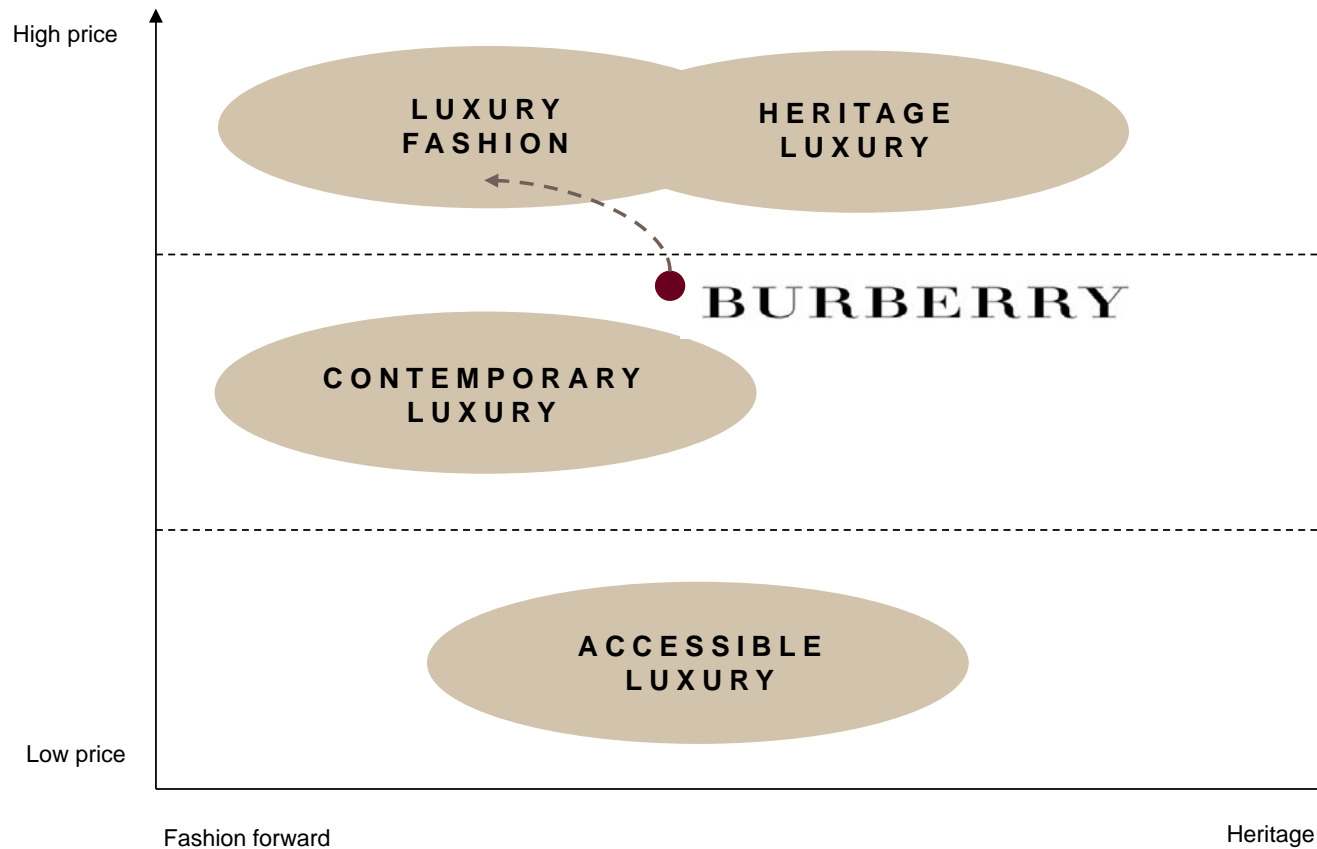
LIVING BRAND STORY
AND EXPERIENCES

INDIVIDUAL
SELF-EXPRESSION

SHARED VALUES

SWITCHING ACCORDING
TO RELEVANCE

IN THIS ENVIRONMENT, WE MUST SHARPEN OUR BRAND POSITIONING



THE PATH TO ACHIEVE OUR VISION

RENEW
THE PRODUCT



EVOLVE THE
COMMUNICATION



TRANSFORM
THE EXPERIENCE



OUR PRODUCT STRATEGY



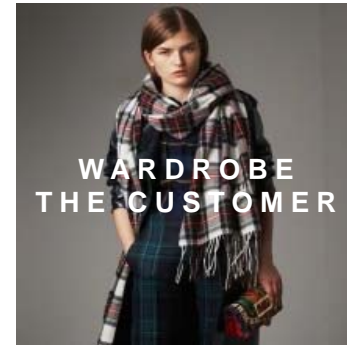
Re-invigorate our products with a constant infusion of newness and excitement



Signal significant change in design and relevance to win the luxury consumer



Multiple curated deliveries, with a direct to consumer approach



Shift from items to outfitting; drive UPT and frequency of purchase



Maintain competitive prices, and offer a breadth of price points injecting creativity across the entire range

TAKING SHARE IN THE LEATHER GOODS MARKET



INDUSTRY-LEADING DESIGN TEAM

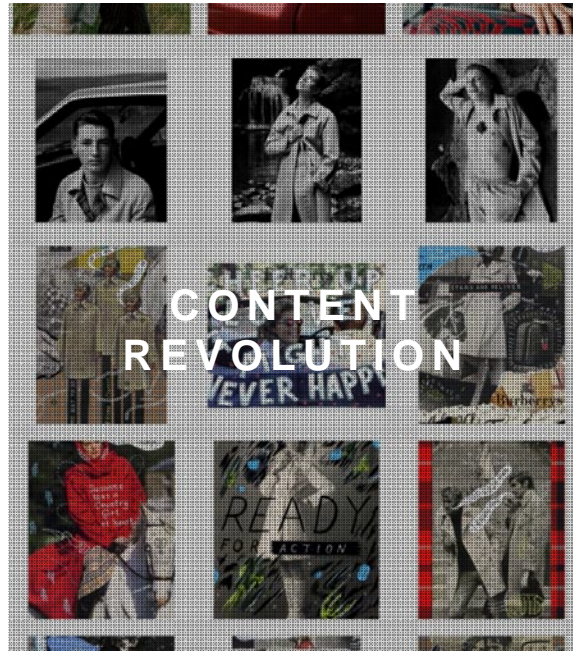
EVOLVE THE CHARACTER OF THE BURBERRY HANDBAG

**INCREASE PROMINENCE AND SPACE DEDICATED TO
LEATHER GOODS IN STORES**

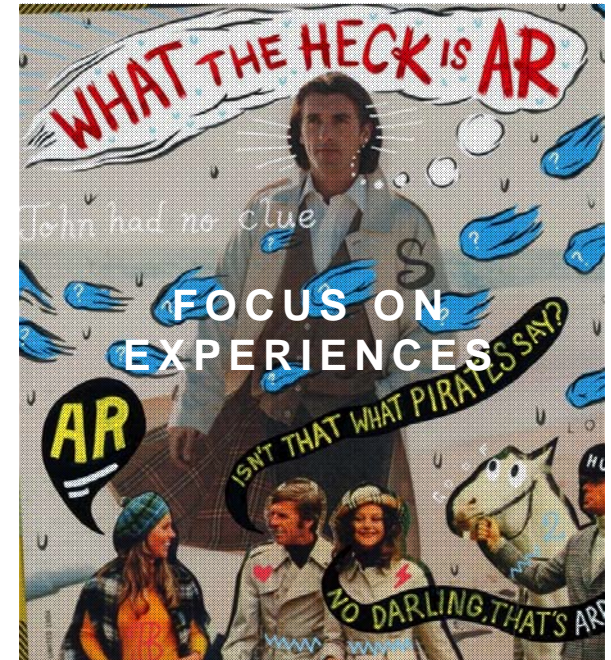
OUR COMMUNICATION STRATEGY



Product at the heart of our communications



Reimagine our content, taking a curated, edited approach



Invest in fewer, more meaningful experiences including collaborations

REVOLUTIONISE OUR CONTENT ACROSS TOUCHPOINTS

THINK DIFFERENTLY ABOUT ALL CONTENT

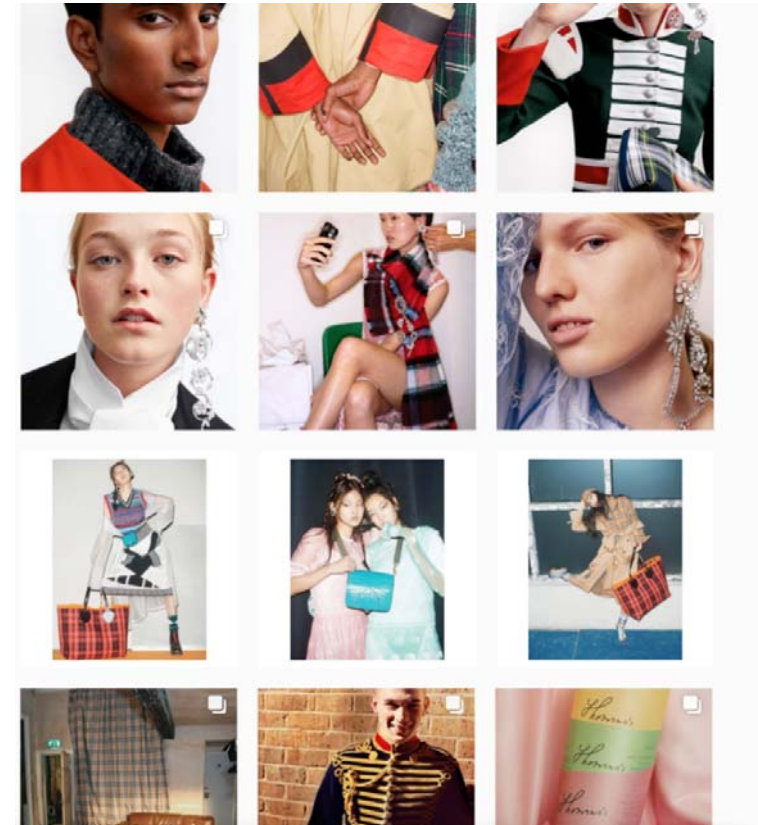
- From campaigns to what we publish across all digital channels and our own site

UPDATE OUR CREATIVE LANGUAGE

- It will be bold, dynamic, real, compelling – and the change is underway

ENSURE EVERYTHING IS NOT JUST RELEVANT FOR SOCIAL, BUT MADE FOR SOCIAL

- It's now the first access point to any brand



WE WILL LEVERAGE OUR DIGITAL REACH TO CONVEY OUR NEW BRAND ENERGY

50+M
FANS
GLOBALLY

15 Platforms
11 Languages



Facebook
17.3M



Instagram
10.3M



Twitter
10.3M



Google plus
5.3M



Line
4.1M



Sina Weibo
1.2M



Kakao
331k



LinkedIn
342k



YouTube
309k



WeChat
283k



Pinterest
210k



Tumblr
136k



Snapchat
84k



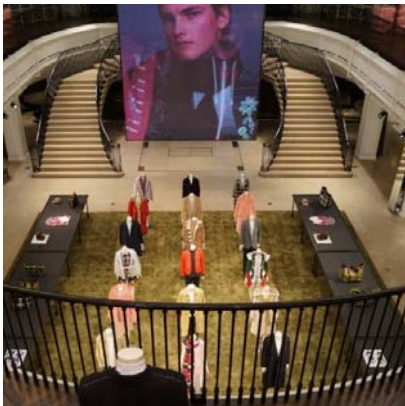
The Net Set
17k



Facebook
Messenger
26k

TRANSFORM THE CUSTOMER EXPERIENCE

MAINLINE



Rejuvenation of our mainline stores
New store concept
Instore experience

DIGITAL



Curation
Content
Personalisation
Omnichannel
3rd Party players

WHOLESALE



Image-driving accounts
Special product collaborations
Increase our accessories presence
Grow travel retail

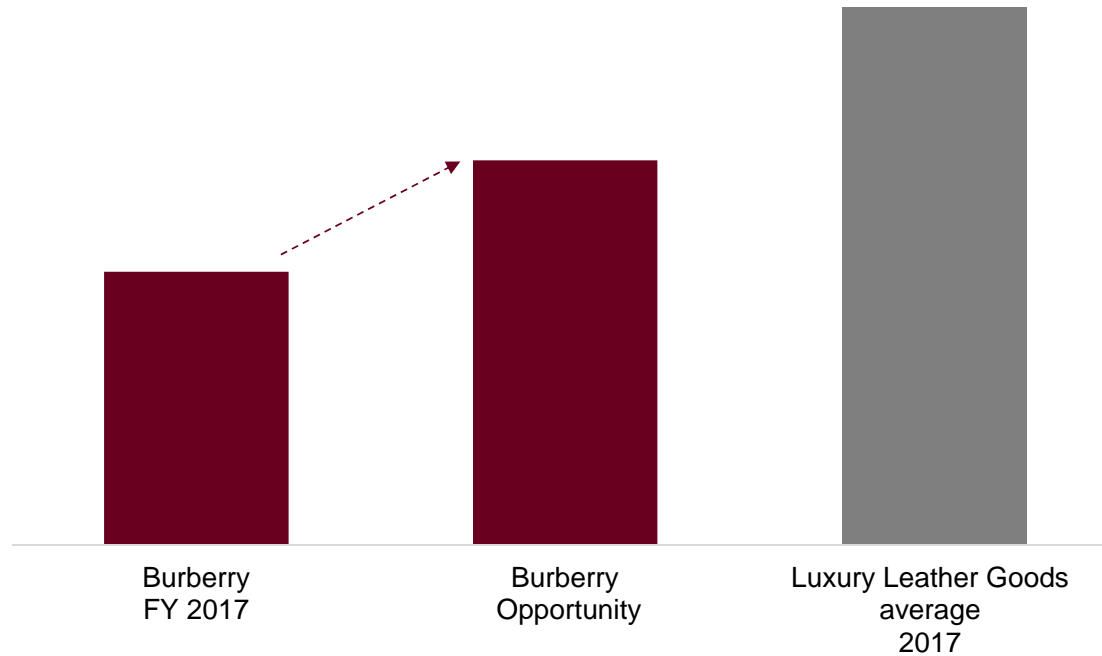
OUTLETS



Right-size our network, in line with our positioning

THESE EFFORTS WILL IMPROVE OUR RETAIL PRODUCTIVITY

SALES DENSITY
£ per sq metre



NOTE: NOT TO SCALE

DIGITAL WILL CONTINUE TO LEAD INNOVATION AND DRIVE GROWTH

CURATION



Highly curated product assortment and merchandising

CONTENT



An editorialised website and meaningful social content

PERSONALISATION



Customised, relevant and dynamic customer journeys

OMNICHANNEL



Give customers flexibility in how they want to pay for and receive product

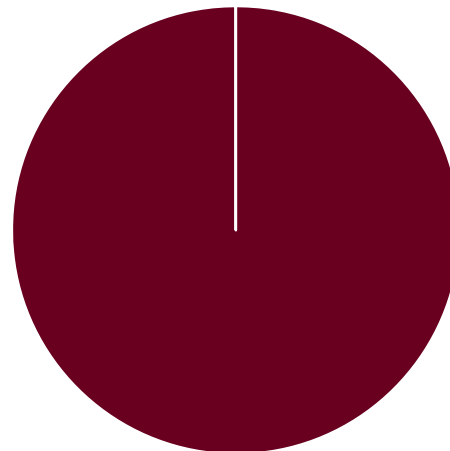
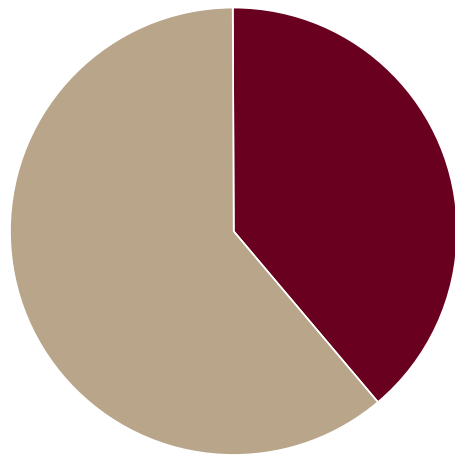
3RD PARTIES



Strengthen our digital partnerships

... UPGRADE AND REDUCE OUR EXPOSURE TO NON-LUXURY ACCOUNTS

US LUXURY VS. NON-LUXURY WHOLESALE
(SHARE OF WHOLESALE DOORS)



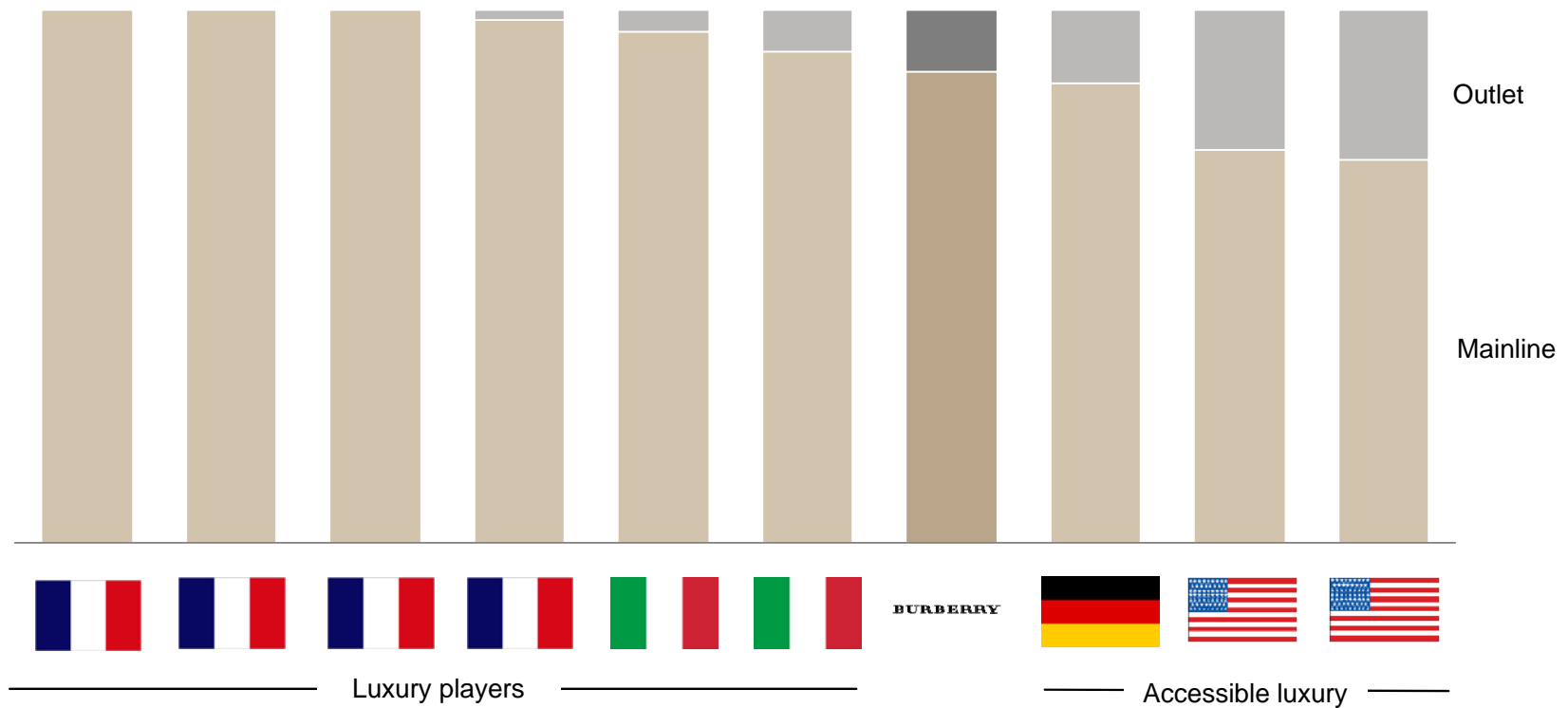
 Luxury
 Non-luxury

To strengthen the brand experience and ensure consistency, we will:

- **Upgrade** some doors to drive image
- **Reduce** exposure where necessary to reflect the new brand positioning

WE WILL RIGHT-SIZE OUR NETWORK, IN LINE WITH OUR POSITIONING

Outlet vs. mainline stores proportion

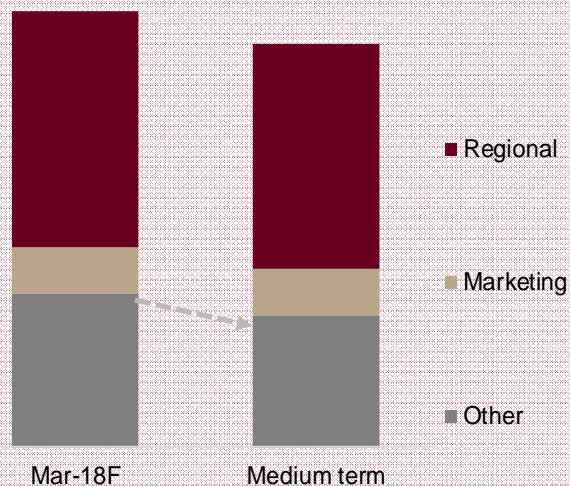


ADJUSTED EPS GROWTH AHEAD OF REVENUE GROWTH

COST SAVINGS

- Operating cost savings support profitability
- Focused resource re-allocation from back to front office

Operating expenses reduce as a % of sales (CER)



OPERATING LEVERAGE

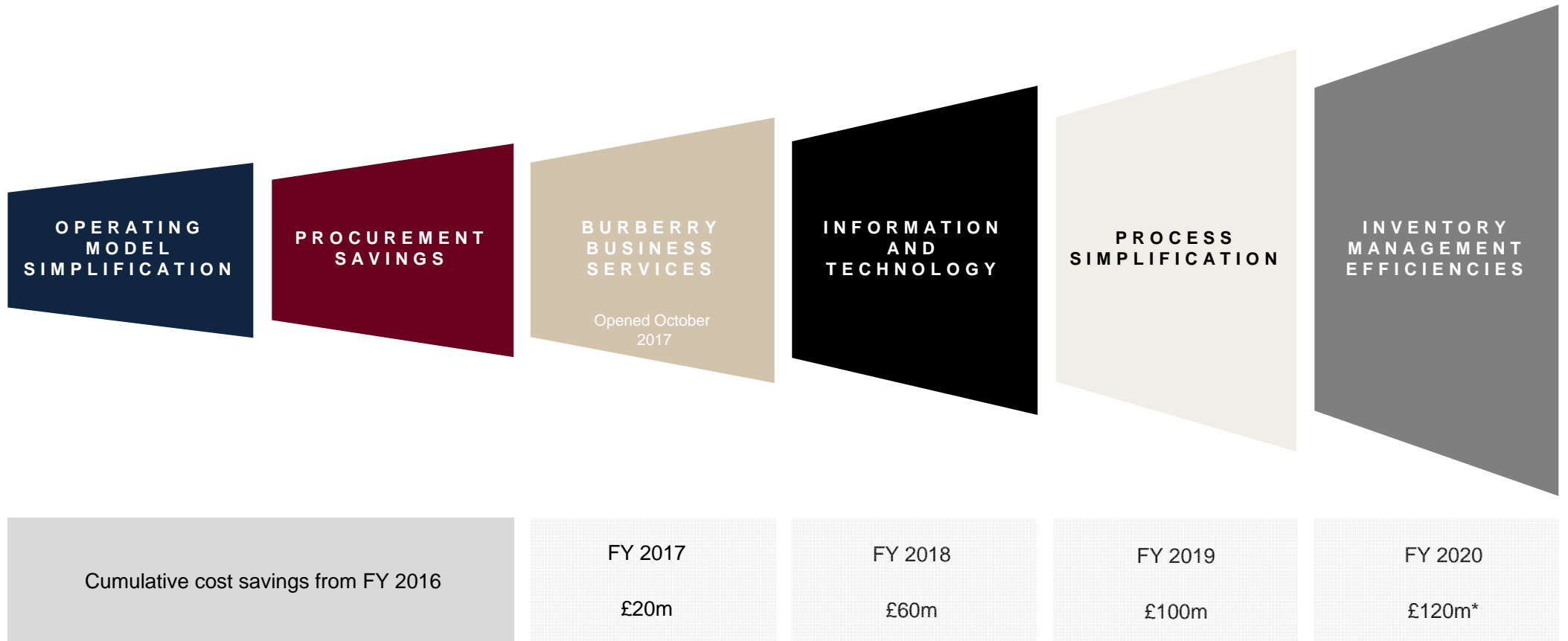
- Leverage the fixed and semi-fixed overhead cost components of our business

TAX RATE

- Improvement in adjusted tax rate* by 200-300 bps by FY 2020 from 26% in FY 2017

*Guidance assumes constant exchange rates, stable economic environment & current tax legislation

COST SAVINGS BY MAJOR LEVER



*Annualised savings

COST SAVING DELIVERY BY MAJOR LEVER



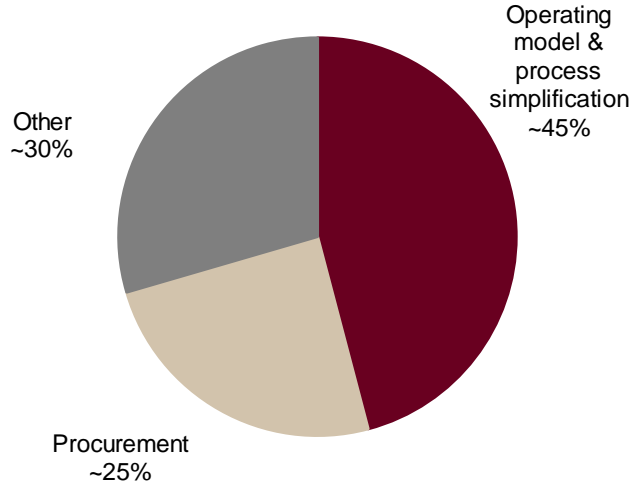
Announced in May 2016
 Committed to savings of at least £100m annualised by FY 2019
 Simplification of operating model begins
 Procurement savings start

Simplification of operating model
 Procurement savings build
 Burberry Business Services operational from October and scope expanded

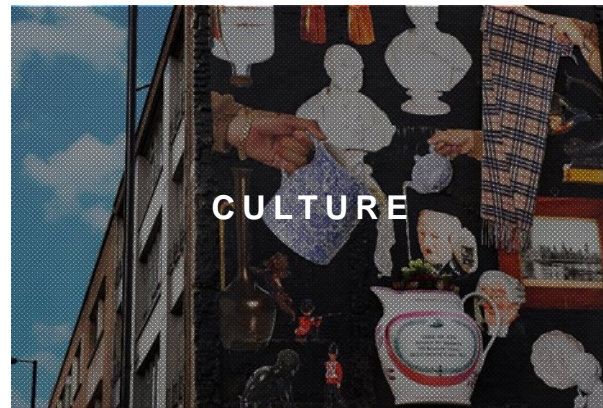
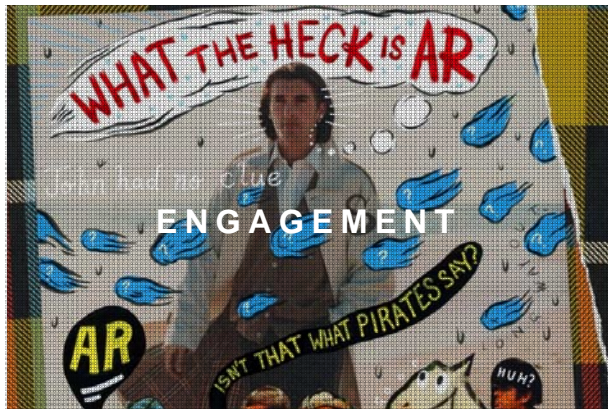
ACCELERATED DELIVERY TO CUMULATIVE OF £60M IN FY 2018 AND £100M IN FY 2019

EXPANDED SCOPE TO TARGET £120M ANNUALISED SAVINGS IN FY 2020

SPLIT OF £120M COST SAVINGS BY CATEGORY (%)



THIS STRATEGY WILL BE UNDERPINNED BY OUR PEOPLE ...



CAPITAL ALLOCATION FRAMEWORK

REINVEST FOR
ORGANIC GROWTH

PROGRESSIVE
DIVIDEND
POLICY

STRATEGIC
INVESTMENTS

RETURN
EXCESS TO
SHAREHOLDERS

MAINTAIN STRONG BALANCE SHEET WITH SOLID
INVESTMENT GRADE CREDIT METRICS

DELIVERING SUSTAINABLE LONG-TERM VALUE

CASH	SIGNIFICANT CASH GENERATION OVER THE PLAN
DIVIDEND	PROGRESSIVE POLICY WITH THE DIVIDEND AT LEAST IN LINE WITH THE PRIOR YEAR
ROIC	ROIC SIGNIFICANTLY AHEAD OF WACC

THIS WILL BE A TWO-PHASED TRANSFORMATION JOURNEY

BUILD THE FOUNDATION

- Commence programme to re-energise the brand and establish our position in luxury, building on our productivity and efficiency agenda
- Rationalise and invest to align our distribution
- Manage creative transition

ACCELERATE AND GROW

- Complete full brand transformation, with a new creative vision
- Drive forward all elements of the strategy
- Accelerate growth

WHAT WE WILL ACHIEVE

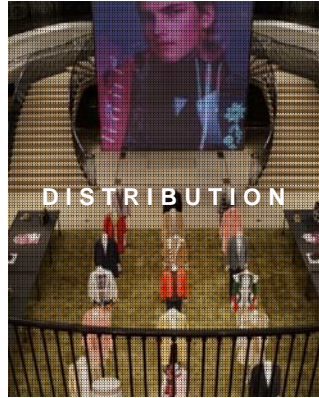
One of the world's **most valuable** and **desirable luxury brands**



A luxury fashion house



An inspiration for luxury consumers



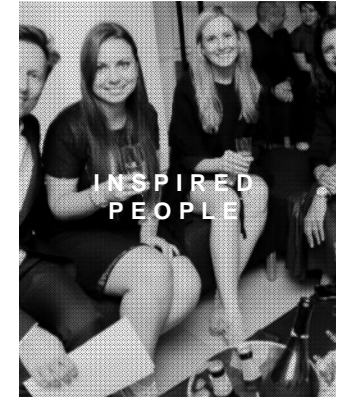
A luxury network



Unrivalled in digital innovation



An agile company



A highly engaged global team

Firmly established in **luxury** – the most valuable and enduring segment of the industry - creating sustainable **value** for all stakeholders

OUR FINANCIAL PLAN*

(AT CONSTANT EXCHANGE RATES)

FY 2019 & 2020

AMBITION

	FY 2019 & 2020	AMBITION
REVENUE	<ul style="list-style-type: none"> Sales broadly stable year-on-year Rationalise non-luxury distribution 	<ul style="list-style-type: none"> High-single digit top-line growth
OPERATING MARGIN	<ul style="list-style-type: none"> Adjusted operating margin broadly stable YoY, even during period of investment in the brand £120m annualised cost savings by FY 2020 	<ul style="list-style-type: none"> Meaningful operating margin expansion
CASH	<ul style="list-style-type: none"> Capex of £150-£160m <p>Strong free cash conversion and application of capital allocation framework including progressive dividend and shareholder distributions</p>	<ul style="list-style-type: none"> Capex builds to £190m-£210m

*Guidance assumes constant exchange rates and a stable economic environment

H1 2018 FINANCIAL HIGHLIGHTS

Six months to 30 September	2017 £m	2016 £m	----- Change -----	
			Reported FX	Underlying
Revenue	1,263	1,159	9%	4%
Adjusted operating profit	185	144	28%	17%
Adjusted operating margin	14.6%	12.5%		
Operating profit	127	102	24%	
Adjusted diluted EPS	32.3p	24.4p	32%	
Diluted EPS	21.4p	16.2p	32%	
Free cash flow*	171	75		
Net cash	654	529		
Dividend per share	11.0p	10.5p	5%	

FY 2018 OUTLOOK

SALES

RETAIL

Focus on existing store productivity, no net contribution from new space

WHOLESALE

H2 underlying expected to decline by a mid-single digit % (H2 2017: £226m)

LICENSING

+20% underlying including new Beauty licence from H2

PROFIT

ADJUSTED OPERATING PROFIT

No change to our expectations at constant exchange rates*

CUMULATIVE COSTS SAVINGS

£60m

ONE-OFF COSTS

£75m operational and £10-15m one-off tax adverse charge

TAX RATE

Effective tax rate of c.25% (down 80bps year-on-year)

FX

£20m* negative impact of FX on adjusted operating profit vs FY 2017

CASH

CAPEX

£130m

SHARE BUYBACK

£350m shares to be purchased in FY

* Effective rates as at 31 December 2017, taking into account the current hedged positions

APPENDIX

Q3 REVIEW

RETAIL SALES £719M, +1% UNDERLYING

- Comparable store sales +2%
 - Mainland China annualising start of Chinese consumer rebound
 - UK annualising exceptional growth in prior year
 - AUR headwind

OPERATIONAL PROGRESS

- Fashion outperformed
- Preparing for new leather goods offer
- Positive results from expanded outfit offer

- Creative partnerships across events, social and other media

- Piloted new in-store sales associate tool
- Commenced engagement with wholesale partners
- Exclusive capsule for NET-A-PORTER

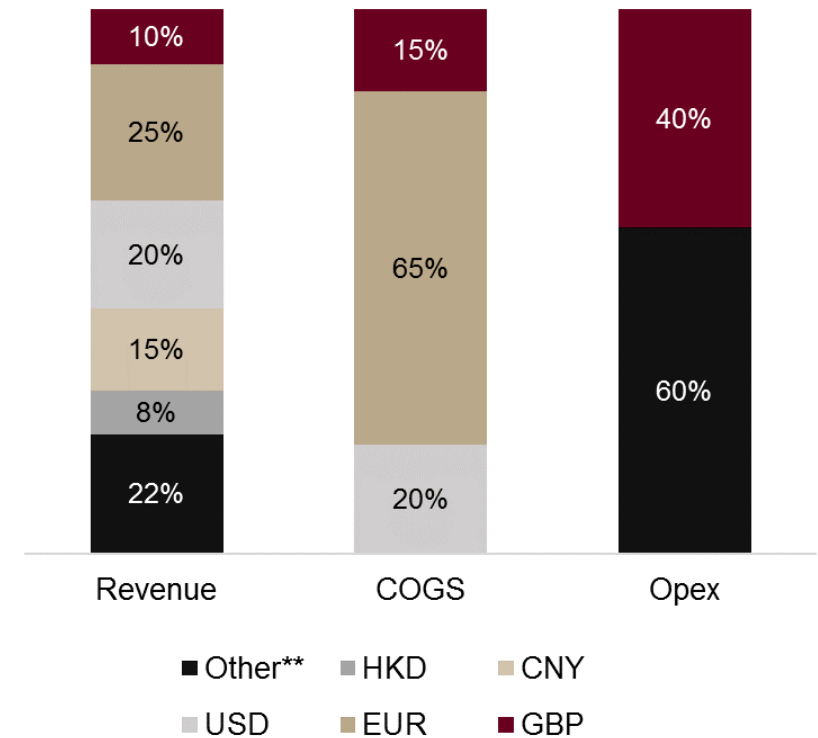
- Burberry Business Services recruitment ahead of plan
- Launched global employee engagement programme



FOREIGN EXCHANGE RATES

	Spot rates		Forecast effective FY 2018 rates		Average FY 2017 rates
	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Oct 2017	
£1=					
Euro	1.13	1.13	1.13	1.14	1.19
US Dollar	1.34	1.31	1.31	1.31	1.30
Chinese Yuan Renminbi	8.79	8.77	8.77	8.77	8.73
Hong Kong Dollar	10.47	10.26	10.26	10.23	10.11
Korean Won	1,441	1,460	1,460	1,477	1,487

FY 2017 Currency exposures *



*This is a simplified view of Burberry's FX exposures to help with analyst modelling

** Other includes HKD, USD, EUR and CNY in opex

ONE-OFF CHARGES & US TAX LEGISLATION

One off restructuring charges

£m year ended March	2017	2018F	2019F
One off restructuring charges	21*	75	15

Impact of US tax legislation

- Burberry notes the recently enacted Tax Cuts and Jobs Act ("the Act"), which came into effect on 1 January 2018. While work is ongoing and we will provide more detailed information with the publication of our FY 2018 Annual Results, our preliminary impact assessment is noted here.
- The measures included in the Act, subject to any further specific guidance on interpretation being released, are likely to give rise to an initial one-off and non-cash tax charge in the range £10m–£15m in FY 2018 resulting from the revaluation of the Group's aggregate US Deferred Tax Assets and Deferred Tax Liabilities, following the reduction in the US federal rate of corporate income tax. This will not impact adjusted EPS.
- From 2018 the impact of the headline federal rate reduction is likely to be very marginally positive. Based on this preliminary assessment, our guidance for this year's effective tax rate on adjusted profit at 25% and for a 200-300bp reduction in the group effective tax rate by FY 2020 remains unchanged.

AMERICAN DEPOSITARY RECEIPT PROGRAMME

Burberry has an American Depositary Receipt (ADR) programme that trades on the Over-The-Counter ('OTC') market in the US.

An ADR is a receipt that is issued by a depositary bank representing ownership of a company's underlying ordinary shares. ADRs are quoted in US dollars and trade just like any other US security. The company has a sponsored Level 1 ADR programme for which The Bank of New York Mellon acts as Depositary.

Ratio: 1 ADR = 1 ordinary share

Exchange: OTC

Symbol: BURBY

CUSIP: 12082W204

OTC Markets: <http://www.otcm Markets.com/stock/burby/quote>

ALTERNATIVE PERFORMANCE MEASURES

All metrics and commentary in this presentation are at reported FX and exclude adjusting items unless stated otherwise.

The definition of adjusting items is included in note 4 of the Condensed Consolidated Interim Financial Statements.

H1 2018 adjusting operating items are:

- £33m restructuring costs relating to the cost efficiency programme
- £28m costs associated with the transfer of Beauty operations
- £3m Burberry Middle East changes in deferred consideration

H1 2018 Adjusting finance items are £2m reflecting Burberry Middle East deferred consideration financing charges

Underlying performance is presented in this document as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group. Underlying performance is calculated before adjusting items and 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 on foreign currency procurement and sales through the Group's UK supply chain.

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.

Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets. Cash conversion is defined as free cash flow pre tax/ adjusted profit before tax

Lease adjusted net debt is defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less cash.

Certain financial data within this presentation have been rounded.

DISCLAIMER

The financial information contained in this presentation is unaudited.

Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this presentation should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This presentation does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

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REPORTING CALENDAR

Preliminary results 16 May 2018

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