

# BURBERRY

Burberry Group plc  
FY26 Preliminary Results  
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Burberry

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Kate Ferry, Chief Financial Officer

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Questions from

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Maria Meita, Bernstein

## **Joshua Schulman, Chief Executive Officer**

Good morning, everyone, and welcome to our preliminary results for the 2026 financial year. I'm Josh Shulman, Chief Executive Officer of Burberry, and with me is Kate Ferry, our Chief Financial Officer.

One year ago today, we were in an early phase of our Burberry forward transformation, deeply focused on stabilizing the business. Today, I am pleased to report on our progress. This past year has marked a meaningful inflection for Burberry. I am very proud of what our team has accomplished this year.

We have returned to positive comparable sales with sequential momentum throughout the year and particular strength in Greater China and the Americas, both of which delivered double-digit comp growth in Q4.

We have reignited brand momentum with improved cultural relevance, attracting a new generation of Gen Z customers to the brand. We have asserted our authority in outerwear and scarves as reflected in the outperformance of these categories throughout the year. And as the year progressed, we saw that momentum extend into other categories.

And finally, we have improved the quality of our sales, delivering a significant increase in gross margin as well as operating profit, while strengthening our balance sheet with a reduction in leverage.

My conviction that our Burberry forward strategy is the right path to brand relevance and value creation is stronger than ever.

I will now turn it over to Kate to take you through our financial results, and then I will update you on our strategy. Over to you, Kate.

## **Kate Ferry, Chief Financial Officer**

Thank you, Josh, and good morning, everyone.

I'm really pleased to see the progress we've made with Burberry forward reflected in our financial performance, particularly in a year where we've navigated macroeconomic uncertainty. Let me start by highlighting four key points from the announcement this morning.

Firstly, as Josh articulated, we've returned to comparable sales growth this year, which built sequentially through the year, culminating in plus 5% in Q4. I'd call out particularly strong growth in Greater China, our largest region, and also in the Americas, both up 10% in Q4.

Secondly, the quality of the sales growth, combined with our decisive actions to reset inventory, has allowed us to achieve a substantial improvement in gross margin, up 530bps at constant exchange rates to 67.9%.

Thirdly, adjusted operating profit has improved significantly to £160 million, and we're on track to deliver £100 million of annualised savings by FY27, with £80 million already delivered in FY26. We've made these necessary savings thoughtfully, ensuring that we continue to invest for growth, including an increase in marketing spend during the year.

And finally, our free cash flow has significantly improved, resulting in a stronger balance sheet with reduced leverage. Our net debt to adjusted EBITDA is now 1.6x, compared to 2.3x this time last year.

I'll now take you through a more detailed review of performance, starting with revenue by channel, and I'll refer to changes at constant exchange rates. Comparable retail sales growth was 2%, with a 1% reduction in space, resulting in total retail revenue growth of 1% in the year. Wholesale revenue was down 4% in the year, however we saw growth of 3% in the second half, and this second half improvement is an encouraging indication of our key wholesale partners' confidence in our strategy. Licensing declined by 9%, in line with our expectations, due to the destocking of old fragrance lines in H1, and the longer lead times for our licensees to reflect the Burberry Forward strategy in their offer.

As a result, total revenue for the year was stable at constant exchange rates and declined 2% on a reported basis.

Turning now to regional performance. Greater China accelerated to plus 10% in Q4, driven by local spend.

Growth was 4% in the full year, with momentum building through the quarters. EMEIA was flat in the year. In Q4, the region declined 2%, reflecting continued weaker tourism. The Middle East is a relatively small part of our business, 2% of global retail sales. Excluding the Middle East, EMEIA's Q4 comp would have been -1%.

The Americas continued to see strong performance, with the greatest sequential improvement in Q4, up 10% from plus 2% in Q3, supported by local spend.

Asia-Pacific grew 3% in Q4. South Korea performance remained strong, up 13% in line with Q3, supported by both local and tourist spend, particularly from Chinese visitors. Japan declined 6% in Q4, impacted by the continued reduction of inbound tourists.

The APAC region delivered growth of 4% in the second half, offsetting declines in the first half, with 2% growth in the full year. Across all regions, we're encouraged by strong conversion in our stores, which is allowing us to offset some of the industry-wide challenges with traffic.

Moving on to the income statement and staying with changes at constant exchange rates.

As noted earlier, gross margin was 67.9%, up 530bps compared to last year. This material improvement is mainly due to decisive one-off actions in the prior year to reset inventory, and we also benefited from a higher quality of sales, with more products selling at full price, resulting in

lower levels of markdown. Moving down the P&L, adjusted operating profit was £160 million, a significant improvement from the £26 million reported last year.

Adjusted operating profit margin expanded to 6.6%. Adjusting items related to the previously mentioned cost savings plan were £45 million, and we expect around £5 million of one-off costs in FY27, bringing the total to around £50 million.

The net finance charge was £66 million, broadly stable compared to the prior year. And finally, adjusted EPS was £15.2p, a significant improvement from last year.

Free cash flow was £141 million in the year, improving from £65 million last year. Cash generated from operating activities increased by £56 million to £582 million, due primarily to the increase in adjusted operating profit. Working capital saw an inflow of £41 million, driven primarily by an increase in payables and lower inventory levels.

Capital expenditure for the period was £113 million. We continue to be disciplined, focusing on strategic investments with the highest return, such as the roll-out of the scarf bars. Borrowings were £511 million, a significant reduction from the £738 million last year, following the September repayment of our maturing £300 million sustainability bond.

At the end of the period, net debt to adjusted EBITDA was 1.6x. Now, moving onto the outlook. In FY27, we expect to make further progress on our financial ambitions, including delivering revenue growth and margin expansion.

We are, however, mindful of the uncertain geopolitical and macroeconomic environment and its potential impact on consumer confidence. To help you with modelling in FY27, we expect retail space to be broadly stable, wholesale revenue to grow by mid-single-digit percentage in the first half of the year, reflecting continued confidence in our new direction from our key wholesale partners.

As mentioned, annualised cost savings will be around £100 million, with adjusting items of around £5 million in relation to the restructuring charge.

Capital expenditure is expected to be approximately £120 million. Currency is expected to be a £10 million headwind on both revenue and adjusted operating profit. And finally, the effective tax rate is expected to be between 27% and 30%.

As we look ahead, we're encouraged by our performance, which sets us up for the year to come. And I'll now hand over to Josh to share an update on our strategic progress and future opportunities.

**Joshua Schulman, Chief Executive Officer**

Thank you, Kate.

When we set out Burberry Forward, we defined a clear framework to build brand relevance and value creation. Our performance this past year reflects disciplined, consistent execution of our strategy across all four pillars, with the customer at the centre. I am pleased to say our strategy is working, and there are opportunities for further growth.

Starting with our brand. Our strategy is to consistently communicate Timeless British Luxury through immersive storytelling juxtaposing heritage and innovation. Our tentpole campaigns anchor our calendar alongside a continuous drumbeat of seasonal and product stories.

This year is Burberry's 170th anniversary. To kick off our year-long celebration, we launched Portraits of an Icon, honouring the iconic Burberry trench. Bringing together 23 global stars from the worlds of film, music, sport and fashion, ranging from Kate Moss, Teyana Taylor, Jonathan Bailey, Bright, Kendall Jenner, Jack Draper, and Wu Lei, the campaign appeals to a diverse audience.

They appeared in a series of bold portraits and short films, showing how the iconic Burberry heritage trench coat not only protects the wearer from the elements, but is also a vessel to express one's personal style. The content drove strong relevance and high engagement scores, powered by social-first storytelling. Launching in March, the campaign drove a triple-digit increase in earned engagement versus last year, and strong double-digit increases in both earned media value and press coverage.

We amplified the campaign online and in stores with striking window displays and pop-ups in key locations, creating energy and visibility around our most iconic product.

More recently, we kicked off our High Summer campaign, led by British actors Simone Ashley and Tom Blythe as they capture life at the Lido.

It's a clear expression of how our brand codes translate into the warmer months, from the iconic Burberry check bikini to our best-selling men's Eddie Polo shirt. We were also very excited to partner with British swimwear pioneer Hunza G on a new swimwear collaboration. The collaboration brings together their signature ultra-stretch fabric with our Burberry colours in check, combining heritage and size inclusivity.

The capsule launched just a few weeks ago and we're extremely happy with the sell-throughs and our key wholesale accounts have been reaching out for additional stock.

Together, these campaigns underscore Burberry's enduring relevance in all kinds of weather. As summer approaches, we will launch a further campaign capturing the unique energy and atmosphere of global sporting events with some of the world's most stylish fans.

Throughout the year, we will continue to celebrate Burberry's 170 years of British heritage through culturally relevant partnerships. In March, we launched a collaboration with the Royal Collection Trust. This included rainwear and scarves inspired by Queen Elizabeth II's iconic wardrobe.

We are also building on our partnership with the V&A, with a dedicated activation this Autumn that charts the evolution of our trench coat. I hope to see all of you there as we celebrate the heritage of our most iconic product in September ahead of London Fashion Week.

Throughout the world, we are seeing our Burberry forward brand strategy resonate with customers.

I want to specifically share how we're using the power of the brand to drive growth in the world's two most important luxury markets, Greater China and the Americas. In both markets, we've harnessed the energy from their respective festive holiday activations as catalysts for broad-based customer engagement and acquisition. We've then followed up with a robust drumbeat of activities tailored to the markets.

It's especially important to win in China, our largest market representing over 30% of our retail sales. We made great progress over the course of the year in Greater China, which led our regions in overall customer acquisition, supported by strong double-digit growth in Gen Z. Balancing investment across global campaigns and localized storytelling brings Burberry to life in a culturally relevant way. We launched our Lunar New Year content in December, which created great momentum.

Next up was Portraits of an Icon featuring a global cast, including prominent Chinese talent. Together, those efforts drove a 10% comp in Q4. Looking ahead, we are further augmenting our China marketing calendar with a series of Burberry Expeditions, documentary films produced in partnership with Chinese National Geography, featuring local talent in seasonal outerwear, exploring China's natural landscape and historic sites.

In our second half, we will be bringing a large-scale brand experience to Shanghai as an extraordinary finale to our 170th year celebrations. We look forward to continuing to win in this most important market.

And in the Americas, we are harnessing the power of the brand with a client-centric approach. As you may recall, we had an outsized investment during the festive period, including the one-of-a-kind takeover of the Bloomingdale's flagship facade in New York City. Building on this momentum, the team embarked on a series of local activations, including an installation by the artist Sarah Morris at the Miami Design District store. Further activations included an immersive winter pop-up at the historic Hotel Jerome in Aspen, bringing our iconic Burberry house codes to luxury customers in the mountains.

And of course, we had Portrait of an Icon celebrations in locations across America, including our flagship on Rodeo Drive in Beverly Hills. The balance between global and local, retail and wholesale, as well as the strength of our team's execution on the ground, has delivered a significant acceleration over the past two quarters and a 10% comp in Q4. Looking forward, we are going to continue our focus on these two must-win markets while applying lessons to the rest of the world.

Moving to product. Our pinnacle moment is the fashion show. And for Winter 26, Daniel captured the energy of London after dark in a spectacular venue outside the iconic Tower Bridge, anchored by a range of outerwear combining elegance and functionality.

The collection received a great response from the press and from our retail partners. In addition to the extraordinary pieces from the runway, some of which you see in the room right now, we are cascading the ideas and branding motifs from the show across the broader commercial collection. And actually in the room right now, you see many of our runway styles and items from the commercial collection and see how they seamlessly come together.

The Winter 26 runway is a cohesive expression of Timeless British Luxury from start to finish. The extraordinary runway items speak to an opinionated fashion client and many of the commercial silhouettes inspired by the show speak to a broader array of luxury customers. We received very positive feedback from our opinion-leading wholesale partners across America and Europe, delivering the largest wholesale order increases within the Burberry Forward era.

What we're now seeing is the power of design, product, and our marketing teams working together, reigniting desire among our luxury customers. Our hero categories continue to outperform in the year. Scarves and outerwear, both up double digits in the second half.

This year, we introduced new outerwear styles and also strengthened the trans-seasonal appeal of our iconic trench with the reintroduction of a lighter tropical gabardine, perfect for the warmer climates. To cement our authority, we are amplifying our quilts and down assortment for the upcoming Autumn and Winter seasons.

And we have also reinforced our authority in cashmere and wool scarves and we are now expanding our lightweight silk scarf assortment to build a truly year-round offer. We see a significant runway of growth and opportunity in all of these categories. Having asserted our authority in scarves and outerwear, we are pleased that this momentum is now extending into other categories.

Our total accessory category was positive in the year with leather goods sequentially improving in the second half. We also saw growth from our wardrobing classifications in ready-to-wear, including knitwear, which we will build on in the second half by opening cashmere destinations in stores around the world.

In the first phase of Burberry Forward, our goal has been to align our pricing with our category authority. This year, we will continue to sharpen our price architecture to drive value for money in a luxury context.

In each category, we have a compelling offer at each price tier, so every customer can find the right option. In trenchcoats, we have a range from our nylon taffeta Kensington trench at just over £1,000 to our leather nubuck Castleford trench at almost £7,000. And in scarves, we start with a skinny silk scarf at £195 and go all the way up to our pinnacle cashmere capes over £2,500.

Our merchants are ensuring that within each category, we have a range of product at good, better, best price points in a luxury context. The items on this page, whether they're in the good or the best category, are some of the most important recruitment items in our business.

Our licensed categories are on longer lead times, and we are excited that in FY27, we are finally starting to align our licensees with the Burberry Forward brand expression. In beauty, you can see how we have updated our campaign imagery to feature British music sensation Olivia Dean capturing her youthful energy in iconic Burberry trench against a recognisable London landscape. And in eyewear, we have moved from a niche aesthetic without a clear connection to our brand codes to a more recognisable and desirable expression that is consistent with our fashion message.

Across both beauty and eyewear, our latest campaigns now incorporate the same brand codes that you see across our portfolio and will be benefiting from significant incremental marketing investment by our partners.

As we move from defence to offence and as we return to growth, we are evolving our operations to capture increased demand. At the same time, we are going to retain our discipline on inventory.

With deeper customer insights, we are making more focused bets, strengthening our speed to market, improving our product availability and supporting our margin expansion. This will be supported by AI-enabled planning and inventory optimisation to help drive efficiency and growth.

To underpin this growth, we have commenced a two-year renovation of our Castleford factory in Yorkshire, the home of the iconic Burberry trench coat. The investment will modernise the site, supporting the preservation and development of specialist skills, reaffirming our long-standing commitment to British manufacturing and craftsmanship.

Moving to distribution, our strategy is about prominence, productivity and profitability. This year, we made progress on driving our productivity and profitability in part due to our category destinations.

We have rolled out over 200 scarf bars. These have become focal points of our stores, combining category authority with a sense of discovery. Collectively, these are exceeding their plan and driving store productivity.

Our polo calories started to launch in Q4 and we will have around 100 of them by Father's Day in June. These fixtures highlight the breadth of our men's polo offering. The Eddie polo remains a favourite and is now available in 23 colours, just in time for Father's Day.

Looking ahead, we will be launching our first trench destinations this year in an interactive concept that highlights our iconic product and helps the customer discover which style best fits their lifestyle. We will also be opening dedicated shops for cashmere in the second half, bringing together cashmere outerwear, knitwear and accessories in a dedicated environment.

By fiscal year end, we expect to have nearly 400 category destinations across our store network, reinforcing our authority in our key categories.

We are amplifying clienteling, balancing magic and logic, creating better connections between our client advisors and our customers. In the second half this past year, we piloted clienteling initiatives, including more sophisticated customer segmentation and AI-enabled recommendations to enhance their interactions and improve customer engagement. The pilot already had an impact on our performance in Q4, a positive impact on our performance in Q4, and we're now in the process of rolling out this new clienteling tool.

Looking forward, we're accelerating our investment in personalization with tailored messages and experiences at every touchpoint. During the year, we built momentum in our e-commerce business, up in the high teens in Q4. We're seeing growth from an improved site experience, more robust styling and engaging storytelling.

There is more we will do with this momentum. In the year ahead, we are doubling down to accelerate growth. As this channel offers the greatest visibility across our full product range, it is the perfect place for us to showcase our product authority and our value for money in a luxury context.

Whether it's category destinations for Tropical Gaborline or for our summer shop to my left, featuring broad assortments of swimwear, raffia bags, and the perfect outfits for the warmer months ahead, we are leaning into the unique power of the digital channel to capture a broader luxury audience.

While wholesale remains a relatively small part of our brand, it is important for driving discovery and an opportunity for us to benchmark ourselves against other brands. As Kate mentioned, we were encouraged by the improvement in our wholesale performance, which is building confidence among our partners.

Our key partners are activating the brand, such as this recent trench activation at Net-A-Porter here in London, and our mobile scarf bars are popping up at luxury department stores and travel retail locations around the world. At the same time, enhanced in-store environments across partners, including Saks Global, Bloomingdale's, Nordstrom, and Galerie Lafayette, are driving stronger sell-throughs. We plan to continue these strong partnerships to attract new customers to our brand.

All of this is underpinned by a high-performing culture. At the heart of our culture is a creative and commercial alchemy that is powering our profitable growth. We've strengthened our design teams, our merchandising teams, our product development teams, and our marketing teams with senior leaders that focus on our customer. You can see the results on our runway, and you can see it in our stores, in our assortment with a more cohesive and coherent product range.

We continue to uphold our commitments to social and environmental responsibility. This remains an integral part of who we are, and it is important to our colleagues and our customers around the world.

Over the past year, we have made significant progress, guided by our Burberry Forward strategy. We are seeing the impact on our business and our financial performance. We have returned to comparable sales growth with improved brand momentum and strong performance in outerwear and scarves, now extending to other categories.

Going forward, we are now focused on delivering sustainable, profitable growth, operating with greater discipline across the organization, driven by a mindset of saving to reinvest and fuel growth. We're just getting started. My conviction that our strategy is the right path for brand relevance and value creation has only strengthened, and I am more confident than ever that this extraordinary 170-year-old brand will continue to thrive as we progress toward our ambition of returning to £3 billion in sales and beyond.

Just before we start Q&A, where Kate and I will take your questions, I want to introduce everyone to Jo Kennedy, who joined us in March and will be covering for Lauren Wu Leng's maternity cover for the year. And she's also off to a great start.

**Joanna Kenendy, Interim VP, Head of Investor Relations**

Thank you Josh. Good morning, everyone.

We will now take questions from our sell-side analysts in the room today and also those who join us online. If I could ask you to limit yourself to two questions so that we have time to get around as many people as possible, and if you wouldn't mind stating your name and firm before we get going. All right.

I will start with Carole, please, and then Grace.

**Carole Madjo, Barclays**

Hi, good morning. Carole Madjo from Barclays. Two questions, please. The first one, can you maybe share some colours on the key retail KPIs around Q4, so AUR, traffic, conversion, volume, and how we should think about those KPIs evolving in the year to come?

And the second question is around China. So here's strong performance that we saw in the fourth quarter. I feel like maybe the brand is quite strong around Fall/Winter, so scarves, trench, so winter wear working quite well, apparently.

But how should we think about the Spring/Summer collection in China? Do you feel like the brand has the same traction level when it comes to the lighter wear option, basically? Thank you.

**Joshua Schulman, Chief Executive Officer**

Yeah. Kate, why don't you start with the KPIs, and then I can share a little bit about the seasonality, and specifically in China.

**Kate Ferry, Chief Financial Officer**

Great. Morning, Carole. Hi.

So, yes, when we think about the KPIs or, indeed, what we call the retail equation that you refer to, first of all, traffic. It has been challenging, as it has been for the whole sector. But I think what we've been particularly pleased with is conversion.

As per some of the comments that you've just heard from Josh, it's certainly good brand momentum. The product's really resonating. So when people are coming into our stores, they are really enjoying what they see.

In terms of the AUR, for the year, slightly down. I think we've talked about that before. Very much in line with the plan, because that was all about aligning our pricing with our category authority.

But I would say, as we've moved through the year, that is very much stabilized. And I think looking ahead, I don't expect AUR to be a headwind next year. So I think those are the moving parts.

In terms of looking ahead, I think we're starting FY27 with great momentum. And as per my closing comments a moment ago, we're feeling confident around revenue and margin growth in the year ahead.

#### **Joshua Schulman, Chief Executive Officer**

Thank you, Kate.

And then on China, clearly we're very pleased with what we're seeing there. In terms of our momentum and the way the brand is resonating with a broad luxury audience in China. The customer acquisition that we're seeing there, this double-digit growth in Gen Z, gives us great confidence for the future.

Because we're really bringing in a whole new generation of people to discover and love Burberry. And clearly our core categories of outerwear and scarves have been pivotal in that. For the past two years, the Burberry scarf has been a social media sensation in China. And has really driven a new generation of young customers. That was really amplified by our significantly increased investment over Lunar New Year.

Which had a much broader media plan. And we had much more content. Because we had four major Chinese talents headline the Lunar New Year campaign.

In terms of the strength that we have in the Winter season. And particularly around the gifting season. Around Christmas in the West. And Lunar New Year in the East. One thing I think people don't fully appreciate about Burberry is that we're a year-round business.

Actually, one of our peaks for rainwear is in the Spring. March is an incredibly important month for trenchcoats and for rainwear. And it's no accident that that was strategically timed. Our Portraits of the Icon trench campaign.

And again, distorting investment in that peak time for us. Turned out to be a very good investment. And to call attention to our core category in the Spring.

I was also reflecting earlier today. How one of my predecessors, Rose Marie Bravo, was particularly genius. In many things. But specifically, she was the one who was responsible for putting Kate Moss in a Burberry bikini. In, I think it was 2001, 2002 timing. And all of a sudden, she had Stella Tennant in a trenchcoat and Kate Moss in a bikini. And Burberry was for all kinds of weather. So, well, you know, other companies based in outerwear may be more of a Winter business.

You know, I think as you can see in this room, from our Summer shop to my left. And from our Winter runway to my right. You can see that Burberry is really for all kinds of weather.

### **Grace Smalley, Morgan Stanley**

Hi, Grace Smalley from Morgan Stanley. My first question would be on marketing. I think one of the concerns we hear from investors is that some of the initial progress you've made on top line has really been driven by an increased marketing spend.

And whether that's sustainable as you move forward and you want to move towards your margin targets. I guess, how do you think about that as a concern? And is it fair to think that outside of marketing, there's also a number of initiatives to drive incremental top line gains going forward? Whether it be on product or whether it be on your store initiatives.

And then my second question would just be on the store fleet. You outlined sort of a number of the kind of store productivity initiatives. But now that you're further in the Burberry Forward plan, how are you thinking about the health of the store fleet? The number of stores? I know you have closed some stores this year. And also, the location of the stores as well. Thank you.

### **Joshua Schulman, Chief Executive Officer**

Okay. So clearly, the marketing has been a signature factor of our turnaround.

And incredibly important to get a strong message out there that is very consistent. And, you know, Jonathan Kiman, who's our Chief Marketing Officer, always reminds me about repetition, repetition, repetition. And because we know that there are many people that we need to get this message out to.

So we have been investing a high single digit percent of sales in marketing. And we will continue to do so. And it's having a drumbeat, like I said, of big global efforts and then piercing that drumbeat with localized content and also disruption, like the Hunza G capsule. So it's consistency and with a little bit of disruption to make people take another look at Burberry for all kinds of weather. And so far, that investment is paying off.

You know, we're seeing that. You know, when we get the customers to the store, you know, as Kate said, we're having excellent conversion, which is really driven by the improvements that

we've made in product. So, like I said, we're just getting started and we have a lot of growth levers ahead.

Those come from product first. And, of course, our core categories still have room for growth. People said a year ago, oh, scarves, you know, that's a mature business for mature customers.

You know, we reignited the category. And, you know, with the scarf bars that are driving productivity with the amount of attention on that category. And now that's a category that, you know, many of our peers want a piece of. But it had been, a category that hadn't been such a focus in the past.

Beyond our core, as I mentioned, we're starting to see the momentum extend into other categories. So, we've seen growth in the overall accessory categories. And, now we're seeing green shoots in leather goods, which is really encouraging. I don't want to say too much about it because I know we've kind of over promised and under delivered on this in the past, but we're really building. We're really about building sustainable growth across the wardrobe in categories, across the accessory categories. And we're encouraged by the signs that we have from our customers.

In terms of the store fleet. As we've discussed, we have great locations around the world.

And so they're certainly prominent. Where we have room to improve is on the productivity and the profitability. And so, every year we have a closure of some stores and we and we open some stores.

I think this year was 12. Net 12. So obviously we are exiting stores, which are either in locations that are no longer appropriate or have profitability challenges. And in some cases, you know, when it's a centre location where we just want to exit, we'll exit. But in other cases, we will find a more profitable alternative to showcase the product.

A great example is in Brussels. We had an aging oversized store that had a very long lease. We were very happy to leave our former location. We've opened in a smaller location, a more updated concept. You walk right in, you see a beautiful scarf bar and it really reflects our latest thinking. And it's doing quite well and will contribute positively.

### **Joanna Kenendy, Interim VP, Head of Investor Relations**

We'll go to Thomas.

### **Thomas Chauvet, Citi**

Thank you Thomas Chauvet from Citi two questions please.

The first one on your gross margin, significant expansion to 500 bps to 68% for the year. A lot of that had to do with the prior year pressures and the inventory exit. We know that. How do you see gross margin expansion from here in terms of the pace in the coming years? And the drivers, is it all about improving full prices further? Or do you see other levers to return to 70%? GM, you

know, pricing to perhaps rethinking the product manufacturing supply chain, vendor management. And is 70% a cap, by the way, as you or your predecessors used to say in the past.

And secondly, on your capital allocation framework. Historically, you had an interesting slide to give the priorities. It feels that priorities is organic investment for the year ahead. But can you talk a little bit about other capital allocation priorities between acquisition of suppliers and vertical integration? And of course, you know, dividends and share buyback.

What do you need to see to reinstate the dividend and to return to the traditional £150m per annum buyback you used to do? Thank you.

**Kate Ferry, Chief Financial Officer**

Thank you. So if we start with the gross margin, you know, you're right.

We've talked a lot over the last few quarters around expecting quite a significant improvement this year. And that was all down to the decisive action that we took on inventory back in FY25. So I think we guided to 300-350bps improvement this year.

We have obviously done significantly better than that. And really, that is driven by, as I mentioned, it's really higher sell throughs, lower markdown. And, you know, that really is down to the product that is really resonating with our customers.

So I think we're certainly ahead of where we hope we'd be at nearly 68%. I think what you should expect from here, we've given this target of 70% over the medium term. Let's not forget, we were only there just a few years ago.

So I think it is absolutely achievable. And I would now just assume a kind of gradual improvement back to that 70%. And as to whether we can go beyond. I mean, I think we've put out there the £3b, 70% high teams operating margin. We're very focused on getting there. But I think certainly £3b and beyond is what I would say.

I think the second point on capital allocation - we have not moved away from that framework at all. We are really pleased with the free cash flow that we've seen this year. You can see some significant de-leverage.

But you're right. You said it in your in your comments. The strategy is working. We've got great momentum. I think the most important thing in the short term is to have that firepower to really invest in Burberry Forward and to keep driving that momentum.

That said, you know, our intention is absolutely to reinstate the dividend. We know that's important to our shareholders. And we will, you know, as soon as we're ready, we will message that - clearly a decision for the Board.

And then, you know, as to longer term, you know, in longer term initiatives, we'll communicate those as and when we're ready. But I think short term good free cash flow, you'll continue to see that investing in the business and, you know, dividend as and when we are ready.

**Joshua Schulman, Chief Executive Officer**

On the gross margin piece, you know, it's really about the quality of sales, even the exit of inventory.

And then coupled with coupled with the lower markdowns, higher full price sell through speaks to the product acceptance speaks to, you know, that this is a better-quality business than it was a year ago.

**Joanna Kenendy, Interim VP, Head of Investor Relations**

Harrison from Berenberg.

**Harrison Woodin-Lygo, Berenberg**

Two questions, if I may. So firstly, impact of Saks. Can you help me size that either the top line or anything on the sizing of bad debts? Just had a few questions from investors on that.

And then secondly, on discounting. So you're talking about the quality of, you know, full price sell through. Could you discuss it by regions, you know, especially China and the US are these regional bright spots for that, and then maybe a little bit on outlets like are you going to sustain the exposure at 13% of stores, give or take?

**Joshua Schulman, Chief Executive Officer**

So with Saks, Saks was and remains a very important wholesale partner for us. We've worked with Saks Fifth Avenue and Bergdorf Goodman and Neiman Marcus for many years.

We were able to settle that situation with them as a critical vendor, and we have moved forward with them and, in fact, are reinforcing our presence in their stores. We have a strong relationship with the whole team there, and they are among the wholesale partners who are very enthusiastic about the next phase of Burberry Forward.

Beyond that, in terms of the full price sell through, you know, clearly you can see the momentum that we're having in Americas and China. But it was really globally that on a sell through basis we had a much better quarter and a much better year this year versus the prior year. There has been really broad product acceptance on a global basis.

I would also highlight Korea. While Korea will never be as big as the Americas or China, we've had two consecutive quarters with 13% growth, and what we understand from our team there that there is a small impact of Chinese tourism, but it is mostly our local customers. And it's mostly

that we're taking market share in what is a mature but dynamic market, and so that is very encouraging.

In terms of our outlet business, you are right that our outlet network is about 13% of our store count. Broadly speaking, we are okay with that. I think you'd also notice that the quality of sales is changing in outlet, too, because we have exited the most difficult merchandise from our full price channel a year ago.

So we are now in our normal cadence, we don't have to discount as much either in the full price channel or in the outlet channel. And so that's positive again and the sign of just a better-quality business all around.

**Joanna Kenendy, Interim VP, Head of Investor Relations**

Thank you. Can we go with Chiara please and then Chris.

**Chiara Battistini, J.P. Morgan**

Thank you very much it's Chiara Battisti from JP Morgan.

The first question I had is on OPEX and how to think about spending as we go into fiscal 27. We're coming also towards the end of the cost-saving plan, and you've been delivering very well on that.

But thinking about the shape of the OPEX and the balance between the savings and the investments also to continue to support the brand, I was wondering if you could help us thinking about that bridge.

And then the second question, maybe shorter term, on how the Q2 has started, the calendar Q2, given the overall environment that remains quite volatile and tourist flows that seem to be remaining under pressure. So any colour on current trading would be great.

**Kate Ferry, Chief Financial Officer**

Hi, Chiara. Yes, so, I mean, you've seen obviously this year we're really pleased that we've delivered our cost-savings plan as anticipated. And that's been really helpful because it has enabled us to certainly invest in the consumer-facing areas, as Josh alluded to. You know, we have in terms of actual pounds, millions, we have spent more on marketing year on year.

And of course, as ever, helped us mitigate the usual additional costs such as inflation. Moving forward, you know, we remain incredibly focused on OPEX. Clearly, we have a high fixed base, but where we can, very focused on OPEX.

We've got another £20m of savings to come through. And I think our ambition will be to continue to mitigate inflation where possible and any other one-off costs that may come in and very much

protecting that consumer-facing spend. And as Josh talked about, we are committed to the high single-digit percentage spend on marketing.

Look, in terms of current trading, I think I'll probably do my usual can't comment on current trading. The only thing I would say is, you know, we've been really pleased with how Mother's Day has gone in the US. Obviously, that's a really important period. And likewise, I would say that Golden Week we're really pleased with our performance there as well.

**Chris Huang, UBS**

It's Chris Huang from UBS. I will stick to two as well.

The first one, could you please also just come back to the performance between the outlet and full price channels? You have mentioned improving quality of sales growth, but is it fair to say that maybe full price is growing mid-single-digit and outlets, is it in the positive or negative territory? That's my first one.

Secondly, on like for like you did +2% in FY26. Just trying to better understand the drivers behind that. Obviously, Kate, you mentioned that AUR was a bit of a headwind in this year.

But could you provide some quantity to colour on that number in terms of how much volumes were up, how much was price, how much was mix? Thank you very much.

**Joshua Schulman, Chief Executive Officer**

Kate, do you want to take the second part? Yeah. And then I'll come back on that outlet.

**Kate Ferry, Chief Financial Officer**

Okay. So, I mean, you know, I think in terms of AUR, you know, small down. I think we've talked kind of low single-digit.

That's for the year. And as per my earlier comments, though, as we move through the year, you know, certainly it's stabilized, and I wouldn't see that being a headwind. I think we've given kind of good detail regionally in terms of the comp.

And within that, I think fair to say that, you know, traffic has been reasonably challenging and really no different from what I said before. It's really conversion that has been a big driver here. So, conversion really strong, you know, traffic a little bit more challenging, and AUR, as we move through the year, stabilizing.

So, as I say, it's back to product resonating, and it's now about getting more customers into store.

**Joshua Schulman, Chief Executive Officer**

So, on outlet and full price, as you know, we don't report separately, and we usually don't give separate colour on the two. But what I will say is that the traffic in the outlet villages, particularly in EMEA, has been more challenging.

And so, I think that is universal between us and our peers.

**Joanna Kenedy, Interim VP, Head of Investor Relations**

Piral and then Maria, and then I think we will have to close it.

**Piral Dadhania, RBC**

Thank you, Piral Dadhania from RBC. Can I ask two qualitative questions, please? The first one is on the customer profile. Joshua, when you took over last year, I think you spent a lot of time thinking about the five segments of the customer. And I don't think you've mentioned it in your prepared remarks.

So, could you give us an update on how your progress on recruiting those key customers that you were maybe lacking in the past is going, please?

And then the second question was on ready-to-wear. So, strong momentum in leather goods, in scarves, and in, obviously, outerwear. Could you maybe give us an update on how the ready-to-wear business is going and whether that was positive in fiscal 26? Thank you.

**Joshua Schulman, Chief Executive Officer**

Yeah, absolutely. So, in terms of the customer segments, that customer segmentation continues to be at the heart of the work that Paul Price, our Chief Merchant, is doing with his teams and with our design teams.

And that framework has been really a quiet catalyst in helping us in our turnaround. The opinionated customer, we have a handful of them, and they are important to our business. And they are even more inspired by the recent shows that Daniel has done.

And so, you know, I had the great pleasure of hosting a dinner after our fashion show at the Tower of London. And it was wonderful to see our customers' engagement with the pinnacle of our brand. And those customers are spending more and leaning further in.

Where we were lacking were in some of these other segments. So, you have the investor customer, who is a more classic customer, who likes very fine things, and the conservative customer, who has a very similar aesthetic, but doesn't necessarily spend as much or as frequently. You will see in our stores this Autumn/Winter, you'll see a much-expanded assortment of cashmere.

And the reason why we're expanding it is because what we had in store this year literally sold out. So, beautiful cashmere knitwear, beautiful cashmere coats. Our Kensington trench coat comes in cashmere. And that is priced around £3,200 and that offers great value for money in a luxury context. Because our competitors are offering cashmere coats, you know, four or five, six, seven thousand pounds.

And, you know, when we sold out on those cashmere coats fairly early in the season, we started thinking about how can we amplify this category. Because there are a few players that are very focused on cashmere, but don't necessarily do it with, you know, the kind of fun spirit that we have and the Britishness that we have. And they don't necessarily have the same price-value quality relationship.

And so that's an area where we actually ran out of product this year. And because we started to see the investor customer come back, we started to see the conservative customer come back. And we didn't have enough inventory to service them. So that's one of the reasons why I'm optimistic about next year, because I know where we ran out of product this year.

And then if we look at the hedonist customer and the aspiring customer, you know, I think what we've been doing with Gen Z is really important there. How we've been bringing a new generation into the fold.

And what is so interesting to me is, you know, often people think, oh, Gen Z, you're going to have to do something very different than your core. And what they are responding to is our core, is that Burberry scarf or the Burberry polo as the most important recruitment items in the business. So heroing them.

And I said something, and I think I've said it at most of our get togethers, about how we have the most opportunity where we have the most authenticity. And, you know, we're acquiring this younger cohort of customers to a very significant extent in China. But it's happening globally now on the back of our most authentic product.

And so that is giving us great confidence. In terms of ready to wear, again, a great example is knitwear. In your mind, in my mind at least, I always kind of think Burberry had an important knitwear presence, because it should.

But we never really capitalized on it. And with our authority in cashmere scarves and soft fabrics, shouldn't we have a powerful presence in knitwear? And so that's how we're thinking about ready to wear, about where are the areas where we have authority? Where can we complete the look? And, you know, I wasn't going to share all of that in terms of what's coming in the next collections. But a lot of that is informed by this first year of Burberry Forward.

And I'm really excited about what's coming next.

**Maria Meita, Bernstein I have two questions.**

One is sort of a follow-up to the previous one, and it's regarding new customers. So once these new customers come in to buy the scarf or the Hunza G swimwear, how do you work with them to sort of retain them and to elevate them? Are there specific actions that are working very well or something that you've seen that you'd like to sort of do more of? And are there differences across regions?

And then my second question is regarding evergreen or carry-over items versus newness. What is the level now? Are you comfortable with it, or do you think you're sort of relying a bit too much on the evergreen items and you'd like to bring more newness into the fold? Thank you.

**Joshua Schulman, Chief Executive Officer**

Okay. So in terms of the customer journey, you know, that is a great question. We have an incredible team of client advisors. And historically, they have been working in more of an ad hoc basis in terms of their approach to clienteling.

But this pilot that we talked about that we launched in Q4 is marrying the magic of our client advisors and the type of people that we hire and their ability to wardrobe their customers and build relationships with their customers, but marrying that magic that they have with logic and technology. And so what we've been able to do is we've been able to go deeper into the client books and have targeted prompts for the client advisors to send out and to do that at scale. And so we're on one platform in the West, and we're on WeCom in the East.

And frankly, this was an investment that was planned two years ago. And given where we were financially, we deferred that investment, and we started the work this year. But the real payoff is going to come in fiscal 27 as we bring these client journeys to life.

And we have different programs depending on where you enter the brand. So the journey for a Gen Z swimwear customer where that's their first purchase is going to be different than the journey for somebody who comes in and buys a cashmere trench on day one. And it's marrying art and science. And again, this is another reason why I am confident in the year ahead.

In terms of your question about newness and replenishment or carryover, we were in a part of the cycle two years ago. And we were at a part of the cycle where we had introduced newness that hadn't really resonated.

And so we were carrying over a lot of older product. And at this point, we have exited a lot of that older product as we have confidence in the options that are coming through in the newness. So some of the newness of the last 18 months is now being filtered into carryover and replenishment in a usual cadence.

And so we're at the place where we have the right balance in our stores. And when you go into the stores, it doesn't look like, oh, that was from a different generation. And I think you're seeing that it looks more cohesive and all with one signature. But that is meeting clients' different needs.

**Joanna Kenendy, Interim VP, Head of Investor Relations**

Super. Well, thank you, Josh. Thank you, Kate. Thanks for the question. That concludes our Q&A.

I'll hand it back to Josh for closing remarks.

**Joshua Schulman, Chief Executive Officer**

Thank you, everyone, for your questions. It's always good to get together with you at these events.

I also want to take the opportunity to also acknowledge our announcement this morning that Gerry Murphy, who is seated front and centre, has decided to retire as Chair from the date of our interim results in November. During his nearly nine-year tenure, Gerry has made many valuable contributions to Burberry. And specifically, I am appreciative of the important role that he has had in supporting me and our leadership team throughout my time as CEO.

We will have plenty of time and occasions to thank Gerry for his contributions in the months ahead. Also, we announced that Gerry will be succeeded by William Jackson, who will join Burberry as a Non-Executive Director on July 1st, 2026. I am very pleased to welcome William to the Board, and I look forward to working very closely with William as all of us on the leadership team continue to drive Burberry Forward.

Most importantly, I would like to thank all of our colleagues around the world who are responsible for the progress we are making on our strategy. Our strategy is working, and it's because of our incredible people around the world.

And finally, I'd like to take the opportunity to thank our investors, analysts, and partners who continue to support us on this journey.

Thank you.