

BURBERRY

London, England

**PRELIMINARY RESULTS
FOR THE TWELVE MONTHS ENDED
31 MARCH 2017**

CHRISTOPHER BAILEY

**CHIEF CREATIVE &
CHIEF EXECUTIVE OFFICER**

INTRODUCTION
—
FINANCIAL PERFORMANCE
—
PRODUCTIVITY & EFFICIENCY
2017 PROGRESS

2017 HIGHLIGHTS

2017: Year of Transition

Repositioning Burberry

- More focused luxury retail and digital business
- Encouraging early success
- Full benefits will build through time

Revenue of £2.8bn -2% underlying

- Retail +3% underlying

Adjusted PBT -21% underlying, +10% reported

- Reflecting lower wholesale and licensing income
- Includes £20m of strategic cost savings
- Reported PBT -5%

Capital returns

- Net cash up £149m to £809m
- Dividend of 38.9p per share up 5%
- Completed £100m of announced £150m buyback
- Further £300m share buyback announced for completion in FY 2018



JULIE BROWN

CHIEF OPERATING & FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

12 months to 31 March	2017 £m	2016 £m	----- Change -----	
			Reported FX	Underlying
Revenue	2,766	2,515	10%	(2%)
Adjusted profit before tax	462	421	10%	(21%)
Profit before tax	395	416	(5%)	
Adjusted diluted EPS	77.4p	69.9p	11%	
Diluted EPS	64.9p	69.4p	(6%)	
Free cash flow*	465	274	70%	
Net cash	809	660	23%	
Adjusted retail/wholesale ROIC~	15.4%	14.7%		
Dividend per share	38.9p	37.0p	5%	

Revenue -2% underlying

- Retail +3% underlying
- Wholesale and licensing declined

Adjusted PBT -21% underlying

- Reflecting lower wholesale and licensing income
- Includes £20m of strategic cost savings

Adjusted diluted EPS 77.4p +11% reported

- 6.7m shares purchased

Strong cash generation during the year

- Year end net cash of £809m

Return on invested capital 15.4%

Full year dividend 38.9p

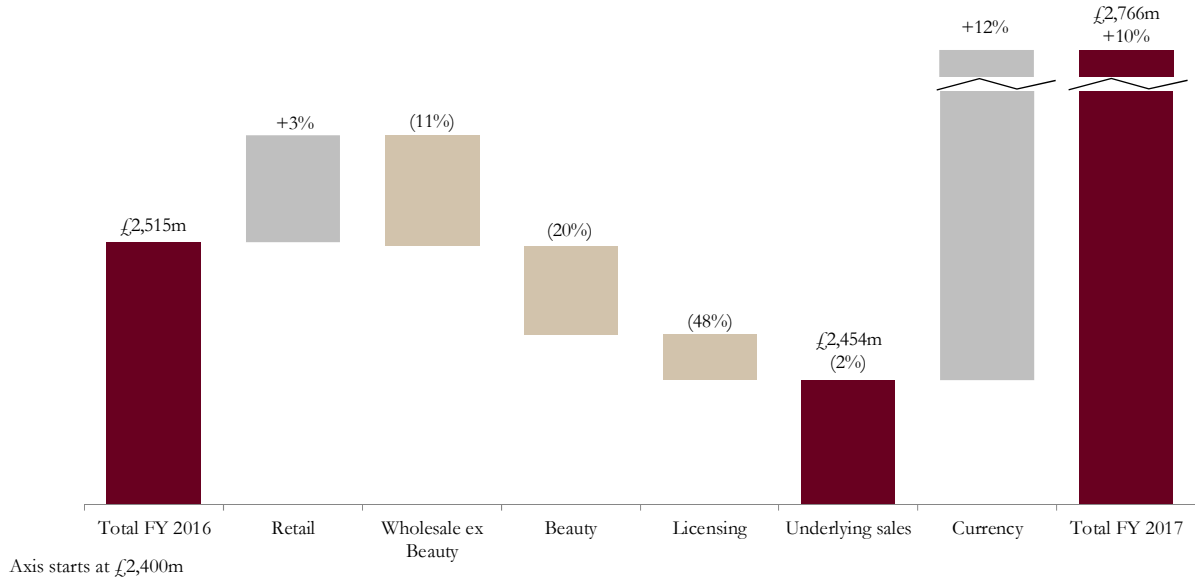
- Up 5% reported
- Payout ratio of 50%

* Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets

~ Adjusted retail/wholesale ROIC is calculated as the retail/wholesale post-tax adjusted operating profit divided by the average retail/wholesale operating assets.

A reconciliation is shown in the appendix

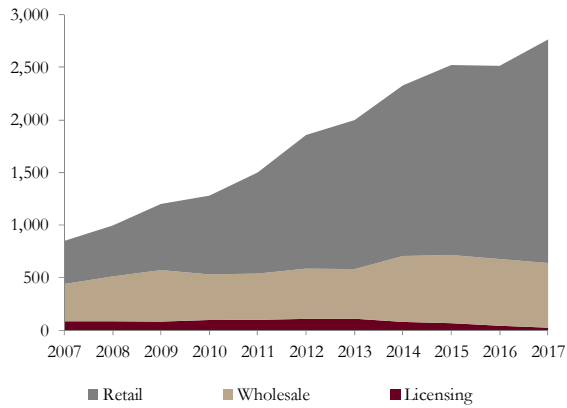
FY 2017 REVENUE



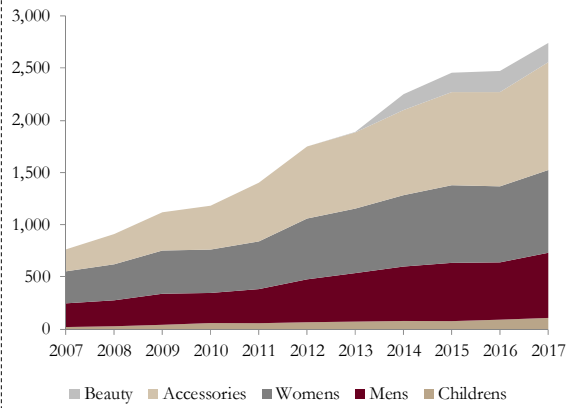
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RESHAPING THE BUSINESS IN THE LAST 10 YEARS

Group revenue by channel (£m)



Retail/wholesale revenue by product category (£m)

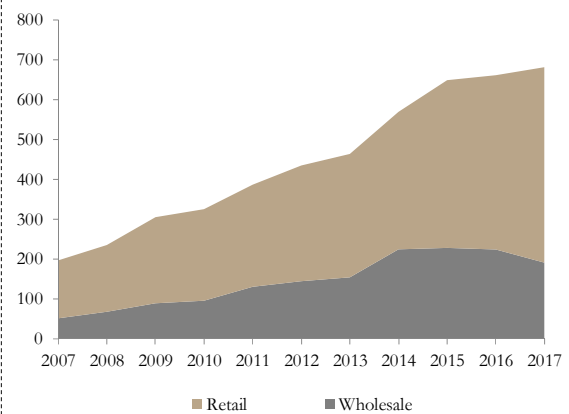


FY 2017 RETAIL/WHOLESALE REVENUES

Channel mix by region (%)



Americas retail/wholesale sales (£m)



ADJUSTED OPERATING PROFIT

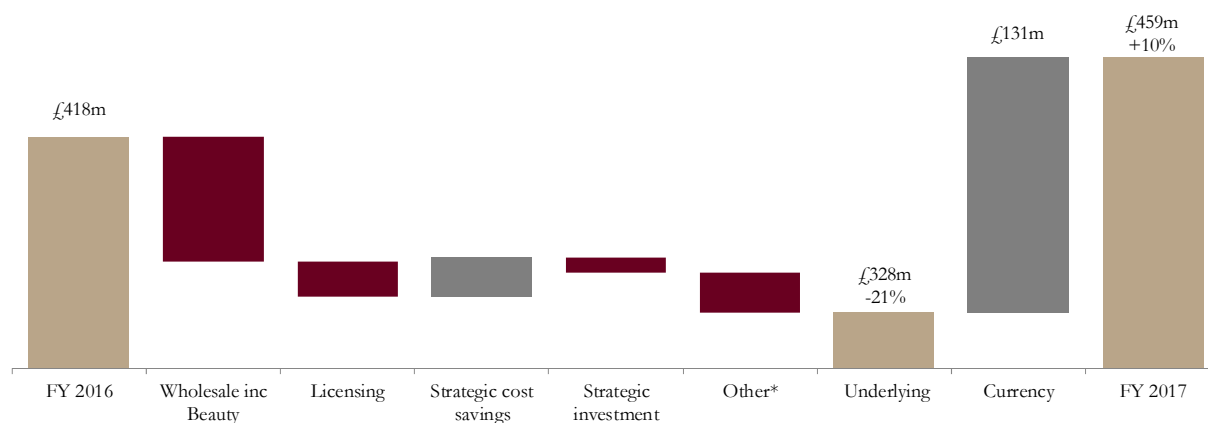


CHART NOT TO SCALE

* Other includes the year-on-year movement in PRP, store impairments, other gross margin and opex changes

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RETAIL/WHOLESALE PROFIT

12 months to 31 March	2017 £m	2016 £m	Change	
			Reported FX	Underlying
Retail/wholesale revenue	2,741	2,472	11%	(2%)
Retail/wholesale gross margin	1,908	1,720		
Retail/wholesale gross margin	69.6%	69.6%	-	
Retail/wholesale operating expenses	(1,471)	(1,339)		
As % of revenue	53.7%	54.2%	(50bps)	
Retail/wholesale adjusted operating profit	437	381	15%	(19%)
Retail/wholesale adjusted operating margin	15.9%	15.4%	50bps	

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INCOME STATEMENT

12 months to 31 March	2017	2016
	£m	£m
Retail/wholesale adjusted operating profit	437.0	380.9
Licensing adjusted operating profit	21.7	36.9
Adjusted operating profit	458.7	417.8
Net finance credit	3.7	2.8
Adjusted profit before tax	462.4	420.6
Adjusting items	(67.6)	(5.0)
Profit before tax	394.8	415.6
Tax	(107.1)	(101.0)
Non-controlling interest	(0.9)	(5.1)
Attributable profit	286.8	309.5
Diluted weighted average number of shares (m)	442	446
Adjusted diluted EPS	77.4p	69.9p
Reported diluted EPS	64.9p	69.4p

Commentary

Adjusted PBT -21% underlying

Adjusting items of £68m, primarily Beauty & restructuring

Effective tax rate of 25.8% on adjusted PBT (+110 bps)

Adjusted diluted EPS 77.4p, +11% at reported FX

- 6.7m shares purchased

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ADJUSTING ITEMS

Brand elevation in Beauty, cost savings programme and control in key markets

12 months to 31 March	2017	2016
	£m	£m
Beauty licence intangible charges	(26.1)	(14.9)
Costs associated with the transfer of Beauty operations	(14.5)	-
Total Beauty	(40.6)	(14.9)
Restructuring costs relating to cost efficiency programme	(20.8)	-
Burberry Middle East deferred consideration charges	(5.2)	-
China put option liability finance (charge)/income	(1.0)	9.9
Adjusting items	(67.6)	(5.0)

- Strategic partnership with Coty announced for Beauty from October 2017
- Expected to be broadly neutral to adjusted PBT in FY 2018 and accretive from FY 2019
- In H2 2018, cash receipts totalling c.£180m expected from Coty

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FREE CASH FLOW

12 months to 31 March	2017	2016
	£m	£m
Adjusted operating profit	458.7	417.8
Depreciation and amortisation	144.0	132.2
Employee share scheme costs	13.1	(0.3)
Decrease/(Increase) in inventories	8.4	(49.3)
Decrease/(Increase) in receivables	19.7	(33.3)
Increase in payables	27.6	9.1
Other	17.1	26.8
Cash inflow from operations	688.6	503.0
Capex	(104.1)	(138.0)
Proceeds from sale of property, plant and equipment	8.5	0.5
Interest	3.7	3.1
Free cash flow pre tax	596.7	368.6
Tax	(131.6)	(94.8)
Free cash flow*	465.1	273.8

* Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets

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DELIVERING LONG TERM SHAREHOLDER VALUE



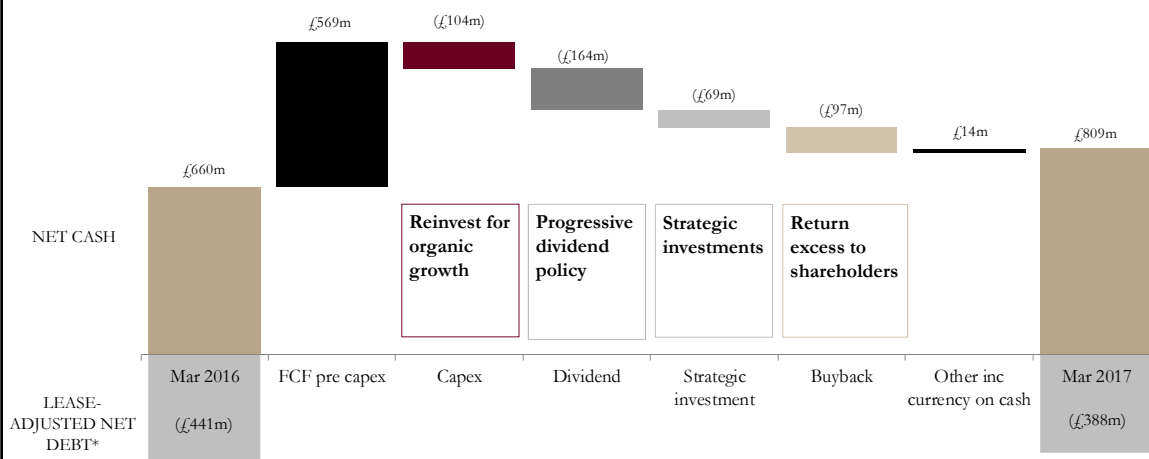
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DRIVING SHAREHOLDER VALUE CAPITAL ALLOCATION FRAMEWORK



* Typically these investments tend to be infrequent, but can be significant such as the acquisition of China non-controlling interests in FY 2017

MOVEMENT IN NET CASH



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

FY 2018 OUTLOOK

SALES	<p>Retail Focus on productivity, no net contribution from new space</p> <p>Wholesale H1 wholesale expected down a mid single digit percentage, reflecting potential business disruption from Beauty</p> <p>Licensing Up 20% underlying including new Beauty licence from H2</p>
PROFIT	<p>Adjusted PBT Benefit from c. £50m of cumulative cost savings</p> <p>Adjusted EPS Improve ahead of adjusted PBT at constant FX</p> <p>Tax rate Effective tax rate of c. 25% down 80bps</p> <p>FX c. £30m* negative impact of FX on adjusted PBT vs FY 2017</p>
CASH	<p>Free cash flow Strong cash generation to be deployed in line with capital allocation framework</p>

* Effective rates as at 28 April 2017, taking into account the current hedged positions

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ONGOING SHAREHOLDER COMMUNICATION

MODIFYING REPORTING CALENDAR

Reporting four times per annum:

- Q1 and Q3 retail trading updates
- Interim and Preliminary Results

PUBLISHING CONSENSUS

Four key metrics:






- Group revenue and underlying growth
- Retail comparable sales growth
- Adjusted PBT
- Adjusted diluted EPS

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CHRISTOPHER BAILEY

CHIEF CREATIVE &
CHIEF EXECUTIVE OFFICER

KEY STRATEGIC PILLARS

REVENUE DRIVERS			OPTIMISING EFFICIENCY	
Product Focus	Productive Space	E-commerce Leadership	Operational Excellence	Inspired People
				
<p>One label</p> <p>Simplified offer</p> <p>Strategic approach to high potential categories</p> <p>Focusing on newness</p> <p>Strategic partnership with Coty</p>	<p>New customer service model</p> <p>Net promoter score feedback</p> <p>Expanded BPC and CVM</p> <p>Omni-channel</p>	<p>Launched redesigned website</p> <p>Third party collaborations</p> <p>Customer app soft launched in UK</p>	<p>Burberry Business Services</p> <p>Delivered £20m efficiency savings</p> <p>On track to deliver at least £100m by FY 2019</p>	<p>Redesigned our operating model</p> <p>Appropriately resourced our business</p> <p>New responsibility strategy</p>

PRODUCT FOCUS

Simplification

- SKU reduction of 15-20%
- One label strategy

Strategic category approach

- Developing high potential categories including handbags

Focus on fashion and newness

- Success of runway collections
- Enhanced novelty across assortment

Beauty

- Strategic partnership with Coty to optimise Beauty's growth potential



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PRODUCTIVE SPACE

Retail productivity (sales per sq ft)

- Improved conversion
- Improved customer retention

Service model

- New CLIENT model
- Net Promoter Score feedback

Customer cultivation

- Expanded Burberry Private Clients
- Focused on Customer Value Management

Driving towards omni-channel

- Improved product availability via store stock look up



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E-COMMERCE LEADERSHIP

Converting digital awareness to e-commerce sales

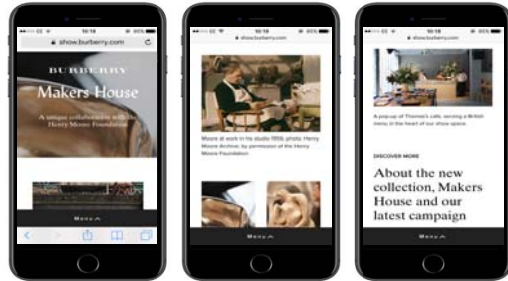
- Relunched mobile site
- Mobile sales up almost 50% YoY

Innovated with third parties

- Collaborations with traditional online retailers
- Innovating in social commerce

Using digital technology

- Increased speed of response to changes in customer behaviours
- Burberry App

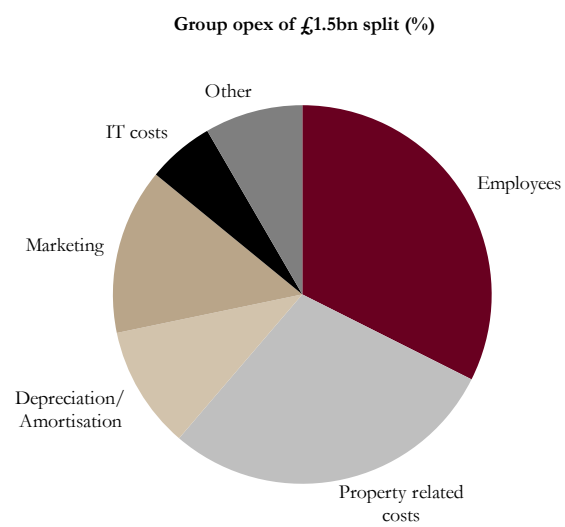


JULIE BROWN

**CHIEF OPERATING &
FINANCIAL OFFICER**

OPERATIONAL EXCELLENCE

OPERATING COST BASE

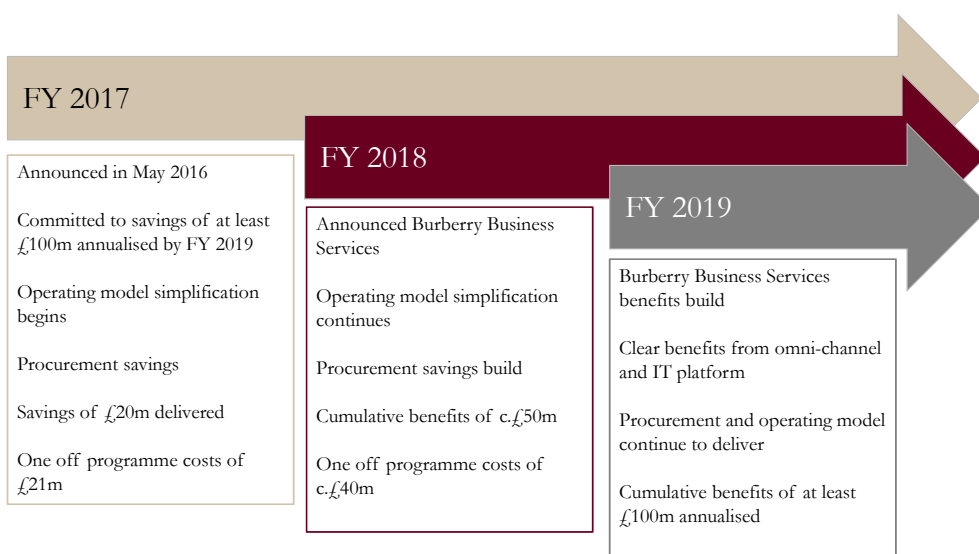


OPERATIONAL EXCELLENCE

 <p>Process Simplification</p>	<p>Burberry Business Services</p> <ul style="list-style-type: none"> · Increased productivity and efficiency by simplifying processes and fostering teamwork across functions · Significant savings through reduced office space requirements in London
 <p>Procure Effectively</p>	<p>Non Stock Procurement</p> <ul style="list-style-type: none"> · Global communications contract · Digital catalogue based purchasing system (Ariba)
 <p>Optimise Inventory Management</p>	<p>Moving Towards Omni-channel</p> <ul style="list-style-type: none"> · Single pool of inventory · Optimising delivery times
 <p>Improve Information & Technology</p>	<p>Standardising and Upgrading our Platforms</p> <ul style="list-style-type: none"> · Simplifying SAP systems · Developing new tools for product lifecycle management, retail and customer insight

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COST SAVINGS BY MAJOR LEVER



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MEASURING OUR PERFORMANCE

REVENUE DRIVERS			OPTIMISING EFFICIENCY	
Product Focus	Productive Space	E-commerce Leadership	Operational Excellence	Inspired People
				
Sales (by category) Full price sell through	Traffic Conversion Retention Net promoter score		Operating margin Inventory turn Savings targets	Performance management Development Spans and layers
Revenue and adjusted profit before tax growth				
Improve return on invested capital				

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INSPIRED PEOPLE

Redesigned our operating model

- Streamlined central organisation
- Greater global consistency

Simplifying our ways of working

- More efficient processes
- Greater accountability

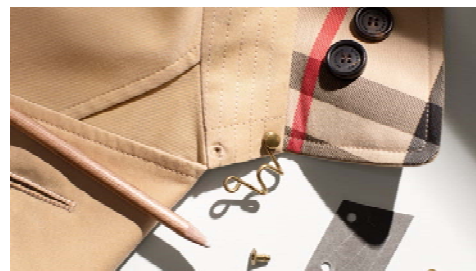
New capabilities and skills

- Strengthened leadership team with luxury and business transformation experience
- Key appointments made in product, customer experience and technology

Building engagement

Burberry responsibility strategy

- Creating tomorrow's heritage



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**2017: A YEAR OF TRANSITION,
LAYING FOUNDATIONS
FOR FUTURE GROWTH**

—

**ON TRACK WITH EXECUTING
THE PRODUCTIVITY AND EFFICIENCY AGENDA
RETURNING BURBERRY TO GROWTH**

—

**FULL BENEFITS
WILL BUILD THROUGH TIME**

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APPENDIX

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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ALTERNATIVE PERFORMANCE MEASURES

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

Adjusting items are:

- £26m Beauty licence intangible charge
- £21m restructuring costs relating to the cost efficiency programme
- £15m costs associated with the transfer of Beauty operations
- £5m Burberry Middle East deferred consideration charges
- £1m China put option liability finance charge

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

Adjusted Retail/Wholesale ROIC is calculated as the Retail/Wholesale post-tax adjusted operating profit divided by the average Retail/Wholesale operating assets.

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.

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BEAUTY

- Strategic partnership with Coty announced for Beauty from October 2017
- The impact is expected to be broadly neutral to adjusted PBT in FY 2018 and accretive from FY 2019
- In the second half of FY 2018, Burberry expects to receive cash payments of £130m for the long-term exclusive global licence and related transfer of the Beauty business, and c.£50m for assets transferring, principally inventory (which is subject to adjustments) totalling c.£180m
- Burberry currently expects c.£30m of one-off cash costs associated with this agreement
- From the second half of FY 2018, Beauty will transition from a wholesale business model to licensing
- Beauty wholesale revenue FY 2017: £171m (H1:£70m; H2:£101m)

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MOVEMENT IN NET CASH

12 months to 31 March	2017 £m	2016 £m
Free cash flow	465.1	273.8
Acquisitions	(68.8)	-
Dividends	(164.5)	(158.4)
Share buyback	(97.2)	-
ESOP purchases/other	(11.7)	(8.7)
Exchange difference	26.0	1.4
Movement in net cash	148.9	108.1
Net cash at 31 March	809.2	660.3

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EXCHANGE RATES

£1=	Effective rates for FY 2018		Average exchange rates	
	28 April 2017	31 March 2017	FY 2017 Actual	FY 2016 Actual
Euro	1.19	1.17	1.19	1.36
US Dollar	1.29	1.25	1.30	1.50
Chinese Yuan	8.89	8.62	8.73	9.57
Hong Kong Dollar	10.02	9.74	10.11	11.67
Korean Won	1,458	1,402	1,487	1,740

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LICENSING

12 months to 31 March	2017 £m	2016 £m	
Revenue	25	42	Revenue
Gross margin at 100%	25	42	<ul style="list-style-type: none"> • 1% of group revenue • Underlying -48%, reported FX -41% • Planned expiry of Japanese licence
Operating expenses	(3)	(5)	Operating profit
Operating profit	22	37	<ul style="list-style-type: none"> • Down £15m year-on-year • Reflecting lower revenue and costs relating to the planned expiry of the Japanese licence
Operating margin	87.1%	87.0%	

2017 includes positive FX impact of £3m in revenue and gross margin and nil in opex

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ADJUSTED RETAIL/WHOLESALE ROIC RECONCILIATION

12 months to 31 March	2017 £m	2016 £m
Retail/wholesale adjusted operating profit	437.0	380.9
Adjusted effective tax rate	25.8%	24.7%
Retail/wholesale adjusted operating profit after tax	324.3	286.7
Net assets excluding licensing segment assets	1,694.2	1,617.4
Net cash	(809.2)	(660.3)
Assumed lease assets ¹	1,197.0	1,101.0
Exclude adjusting items:		
Licence intangible asset	-	(26.1)
Put option liability	-	45.8
Deferred consideration	34.7	-
Restructuring liabilities/ other	11.3	-
Adjusted operating assets	2,128.0	2,077.8
Average operating assets	2,102.9	1,955.3
Adjusted retail/wholesale ROIC	15.4%	14.7%

1. Assumed lease assets and assumed lease debt are calculated as a factor of five times minimum operating lease payments, excluding the impact of charges and subsequent utilisations relating to onerous lease provisions. Net charges for onerous lease provisions during the year ended 31 March 2017 were £7.9m (2016: £20.1m) and £8.3m of existing onerous lease provisions were utilised (2016: £5.0m).

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IR CONTACTS

Charlotte Cowley
VP, Investor Relations
charlotte.cowley@burberry.com

Annabel Gleeson
Senior Investor Relations Manager
annabel.gleeson@burberry.com

Bryony Dimmer
Investor Relations Manager
bryony.dimmer@burberry.com

Megan Saia
Investor Relations Coordinator
megan.saia@burberry.com

Horseferry House
Horseferry Road
London
SW1P 2AW
Tel: +44 (0)20 3367 3524

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