BURBERRY

PRELIMINARY RESULTS
18 MAY 2023

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AGENDA

Jonathan Akeroyd

Chief Executive Officer

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AGENDA

Opening Remarks
Financial Results
Business Update
Q&A

3

OPENING REMARKS

- Strong full-year performance, with positive revenue momentum in Q4
- Clear ambition and strategy for Burberry's next phase, and significant progress on plan
- Confirming outlook for FY24 and £4bn revenue ambition in medium-term

Medium term revenue ambition at FY22 CER

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FINANCIAL RESULTS

# Ian Brimicombe

Interim Chief Financial Officer

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## SUMMARY OF FY23 PERFORMANCE

- FY23 retail comparable sales growth +7%, +14% excluding Mainland China
- Total revenue growth +5% at CER and +10% reported
- Adjusted operating profit margin +60bps to 19.0% at CER, 20.5% reported
- Adjusted EPS growth 16% at CER, 30% reported
- Full year dividend proposed of 61.0p, +30%
- Strong 87% cash conversion
- £400m share buyback completed
- Guidance for FY24 and medium term unchanged

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## FY23 | INCOME STATEMENT

| | Period ended | FY23 | FY22 | Reported change | CER change |
|---|---|---|---|---|---|
| | | £m | £m | % | % |
| ADJUSTED | Revenue | 3,094 | 2,826 | *+10%* | *5%* |
| | Gross profit | 2,182 | 1,995 | *9%* | *4%* |
| | *Gross margin %* | *70.5%* | *70.6%* | *(10bp)* | *(80bp)* |
| | Adjusted operating profit | *634* | *523* | *21%* | *8%* |
| | *Adjusted operating profit margin* | *20.5%* | *18.5%* | *+200bp* | *+60bp* |
| | Adjusted diluted EPS | 122.5p | 94.0p | *30%* | *16%* |
| | Free cash flow | 393 | 340 | *16%* | |
| | Dividend per share | 61.0p | 47.0p | *30%* | |
| REPORTED | Reported operating profit | 657 | 543 | *21%* | |
| | *Reported operating profit margin* | *21.2%* | *19.2%* | *+200bp* | |
| | Reported diluted EPS | 126.3p | 97.7p | | |

Note:
- All figures based on Reported FX unless specified
- FY23 is a 52-week year. The comparative period is 53 weeks to 2 April 2022. To aid understanding, we are providing CER percentage changes on a 52-week basis while absolute figures are on a reported basis compared with the 53rd week unless otherwise stated. FY24 will be a 52-week year.

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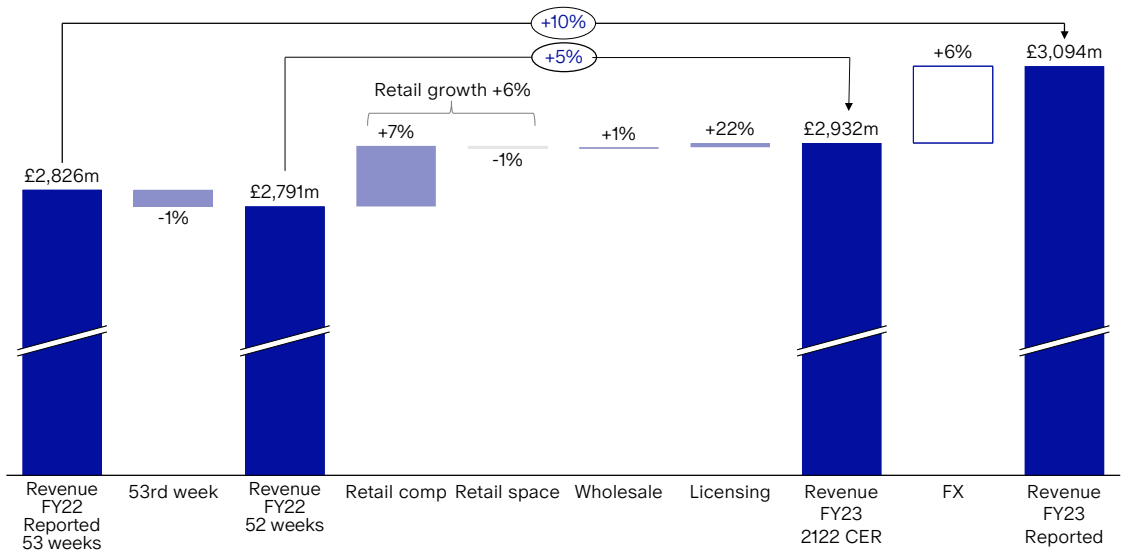
## FY23 | TOTAL REVENUE GROWTH VS LY

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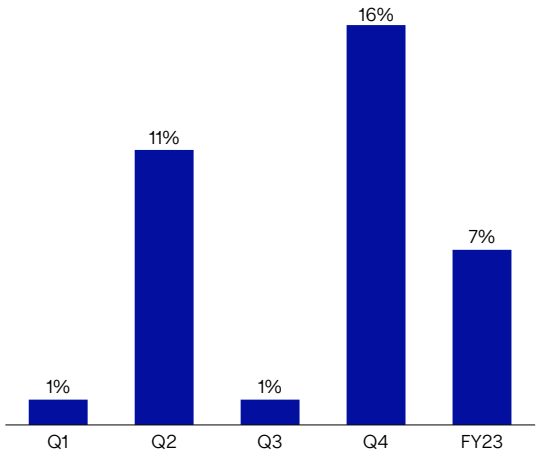
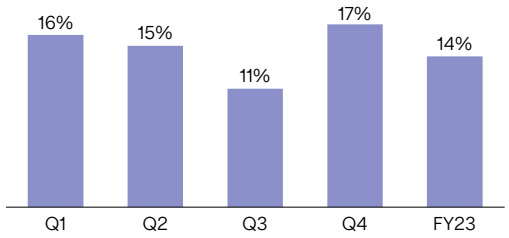
## FY23 | RETAIL COMP SALES GROWTH, QUARTERLY REVENUE PERFORMANCE

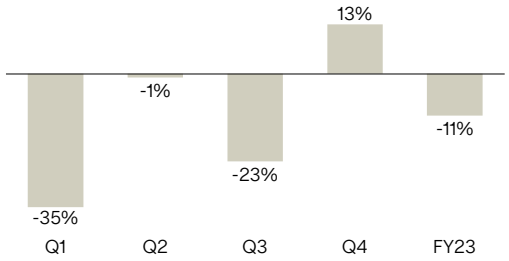
### GROUP COMP STORE SALES BY QUARTER




### COMP STORE SALES EX MAINLAND CHINA BY QUARTER




### MAINLAND CHINA COMP STORE SALES BY QUARTER

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## FY23 | REGIONAL RETAIL COMPARABLE SALES GROWTH

| GROUP | |
|---|---|
| FY | +7% |
| Q1 | +1% |
| Q2 | +11% |
| Q3 | +1% |
| Q4 | +16% |

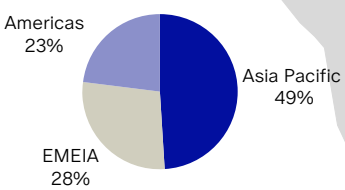
| AMERICAS | |
|---|---|
| FY | -3% |
| Q1 | -4% |
| Q2 | -3% |
| Q3 | -1% |
| Q4 | -7% |

| EMEIA | |
|---|---|
| FY | +27% |
| Q1 | +47% |
| Q2 | +25% |
| Q3 | +19% |
| Q4 | +27% |

| MAINLAND CHINA | |
|---|---|
| FY | -11% |
| Q1 | -35% |
| Q2 | -1% |
| Q3 | -23% |
| Q4 | +13% |

| APAC | |
|---|---|
| FY | +2% |
| Q1 | -16% |
| Q2 | +11% |
| Q3 | -7% |
| Q4 | 19% |

FY23 Total Retail Sales




Note: Comp - Comparable store sales at CER

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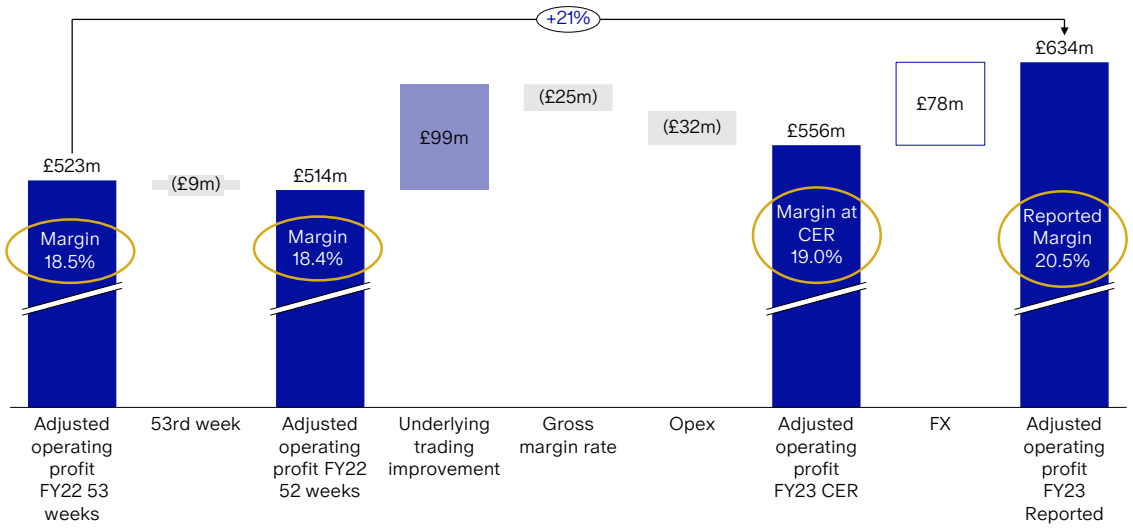
## FY23 | ADJUSTED OPERATING PROFIT MARGIN




Note: Adjusting items are a credit of £23 (FY22 £20m)

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## FY23 | FREE CASH FLOW AND GEARING

| | FY23 £m | FY22 £m |
|---|---|---|
| Adjusted operating profit | 634 | 523 |
| Depreciation and amortisation | 344 | 313 |
| Working capital | (76) | 54 |
| Other | 10 | 19 |
| **Cash generated from operating activities** | 912 | 909 |
| Payment of lease principal and related cash flows | (210) | (206) |
| Capital expenditure | (179) | (161) |
| Proceeds from disposal of non-current assets | 32 | 8 |
| Interest | (22) | (30) |
| Tax | (140) | (180) |
| Free cash flow | 393 | 340 |
| Cash conversion | 87% | 106% |
| Cash net of overdrafts & borrowings | 663 | 879 |
| Net debt | (460) | (179) |
| Net debt/adjusted EBITDA | 0.5x | 0.2x |

Note: All figures based on Reported FX

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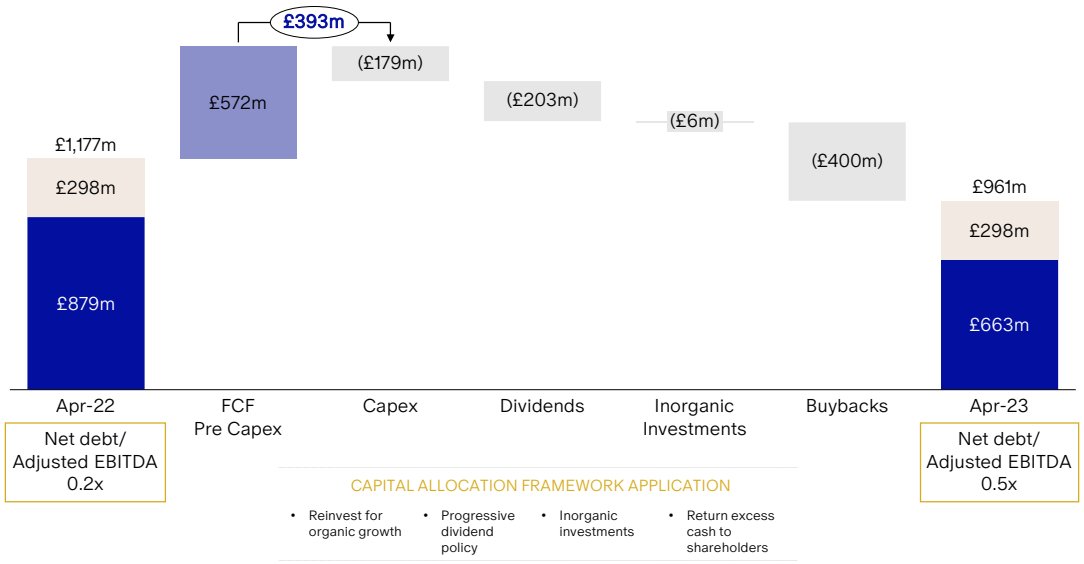
## STRONG CASH POSITION WITH £400M SHARE BUYBACK COMPLETED

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## FY24 OUTLOOK

- Confirm existing FY24 guidance of HSD revenue CAGR* and adjusted operating profit margin of around 20% at CER
- No change anticipated to overall retail space
- FY24 wholesale revenue expected to decline by a low double digit percentage in H1 FY24 and broadly stable in the year
- Tax rate expected to be around 27%
- Capex expected to be c.£200m with over 50% of store network updated
- Currency – c.£70m revenue headwind and c.£40m adjusted operating profit headwind in FY24 based on 21 April exchange rates
- £400m share buyback planned

* Base year FY20

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BUSINESS UPDATE

## Jonathan Akeroyd

Chief Executive Officer

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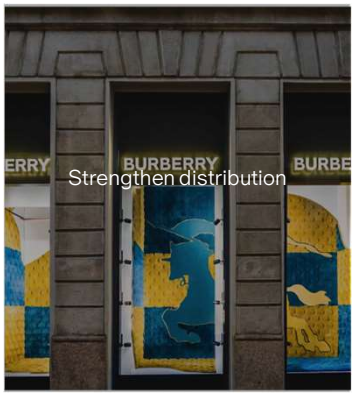
## OUR PLAN

### MODERN BRITISH LUXURY




### OPERATIONS

| Value Chain Excellence | Inspired People & Talent | Values & Sustainability |
|---|---|---|

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# Brand

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A NEW BRAND IDENTITY

BURBERRY

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## A NEW BRAND IDENTITY

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## CONSISTENTLY ROLLED OUT ACROSS OUR STORES

REGENT ST | LONDON

22

SLOANE ST | LONDON

23

SPRING STREET | NEW YORK

24

ST HONORÉ | PARIS (TOM ATTON MOORE)

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## A NEW CREATIVE EXPRESSION, ANCHORED IN BRITISHNESS, HERO-ING OUR ICONIC PRODUCTS

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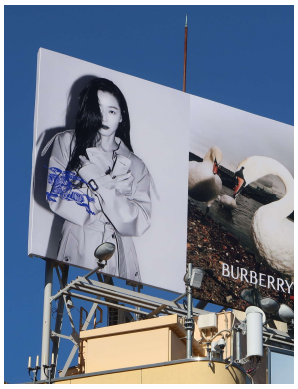
## A SHARPER, MORE COHERENT BRAND IMAGE

Los Angeles




Tokyo

WMAG | IG

Harper's Bazaar April Issue

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HEATHROW T2 | LONDON

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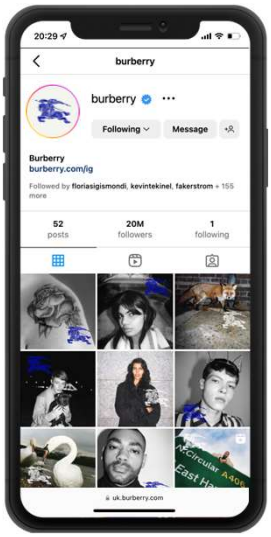
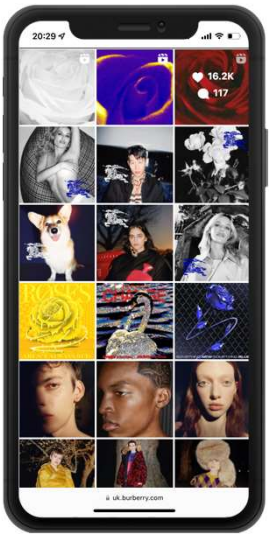
A MORE INSPIRATIONAL AND ELEVATED BRAND EXPRESSION ON SOCIAL MEDIA

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A BOLD NEW COLOUR PALETTE

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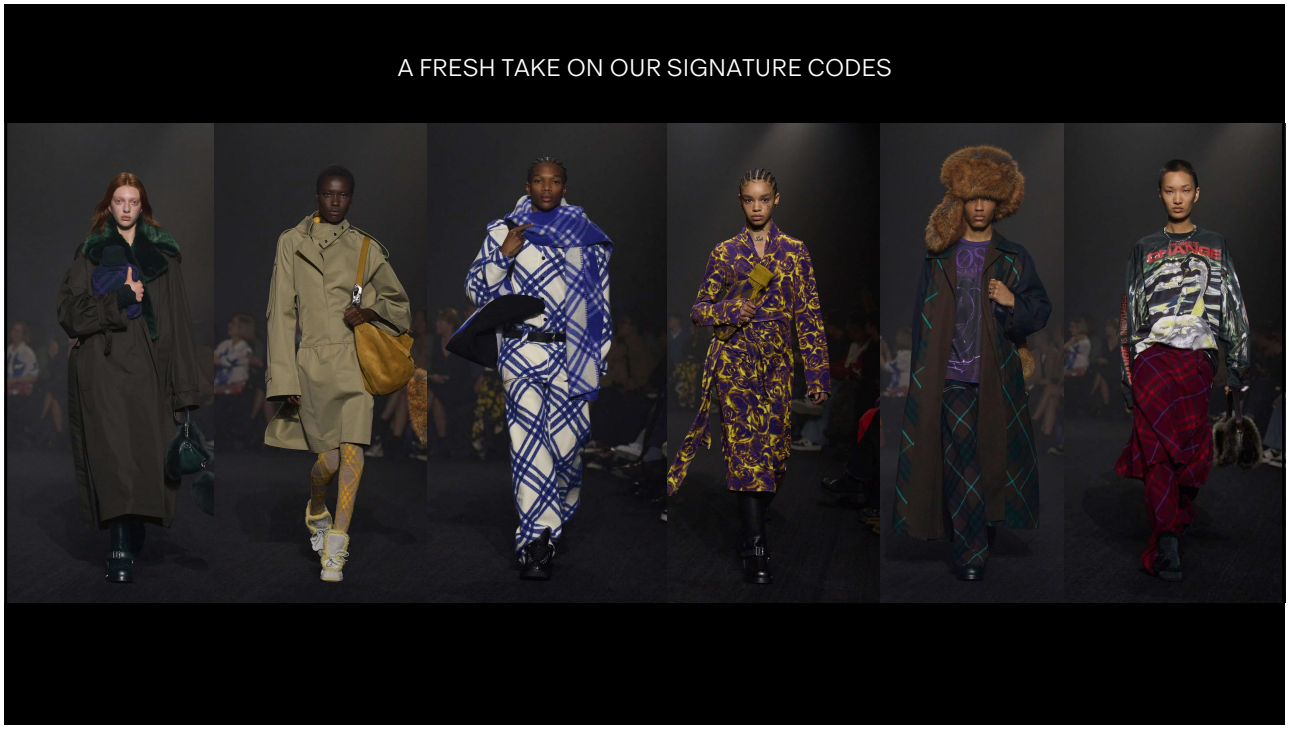
A FRESH TAKE ON OUR SIGNATURE CODES

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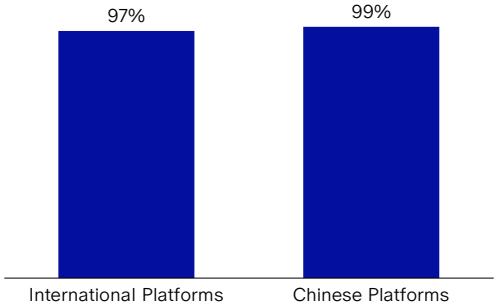
## CONSUMER ENGAGEMENT

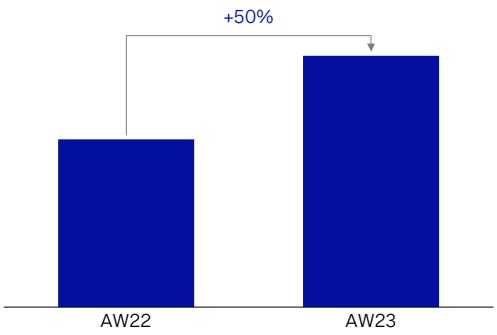
### CONSUMER SENTIMENT POST CAMPAIGN

Percentage of positive sentiment on earned posts, %




### AW23 SHOW LIVESTREAM VIEWS

Number of views, #




1 Positive and neutral sentiment on earned posts, based on Linkfluence (Feb-23); International platforms includes Instagram and Twitter; while Chinese platforms includes Weibo, WeChat, Red and Douyin

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# Product

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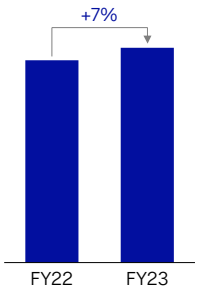
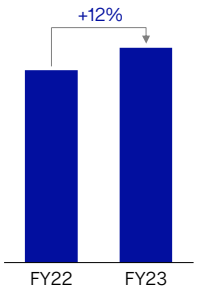
## ACCELERATION ACROSS CORE CATEGORIES IN FY23

### OUTERWEAR




High single digit growth in FY23, +30% in Q4

### LEATHER GOODS




Double digit growth in FY23, +15% in Q4

Note: Growth rates are based on comparable store sales

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## OUTERWEAR | HEROED OUR ICONIC RAINWEAR OFFER

### CAMPAIGN AND VIP DRESSING

Dedicated campaign hero-ing the trench coat

VIP dressing at AW23 Show

### TRENCH REFRESH

Launched a refreshed version of our iconic trench shapes using certified organic cotton

### STORE ACTIVATIONS

Opened 10 pop-ins in high visibility cities

Pop-up in Tokyo delivered exceptional performance

Triple digit growth in Heritage Rainwear sales in Q4

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## LEATHER GOODS | STRONG PERFORMANCE ACROSS OUR WOMEN'S BAG PILLARS

### LOLA

Double digit growth YoY

Top selling bag pillar in FY23

### FRANCES

Very strong performance since launch in Q3 FY22, reinterpreted seasonally through colours and animations

### VINTAGE BURBERRY CHECK LINE

Launched in Q4 FY23

Gaining strong traction with consumers

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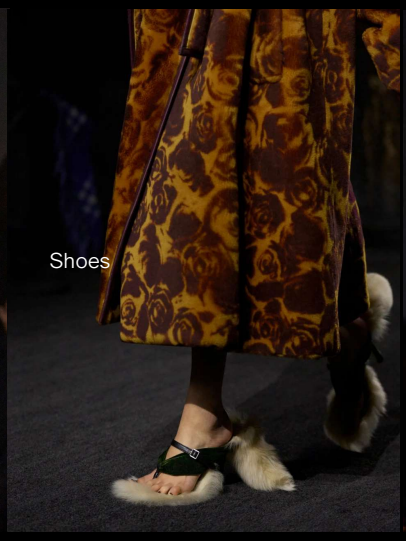
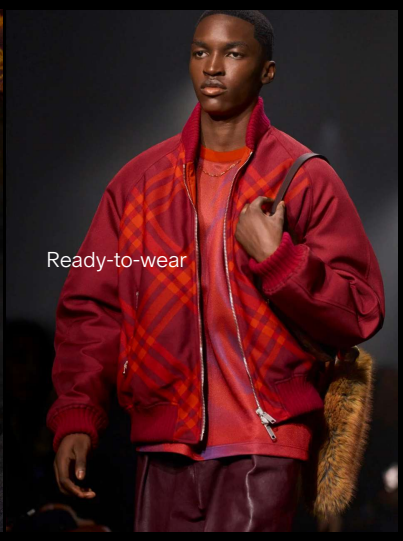
BUILDING ON THESE FOUNDATIONS WITH THE AW23 NEW PRODUCT LAUNCH IN SEPTEMBER

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AW23 WOMEN'S BAGS

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AW23 SHOES

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AW23 WOMEN'S READY-TO-WEAR

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# Distribution

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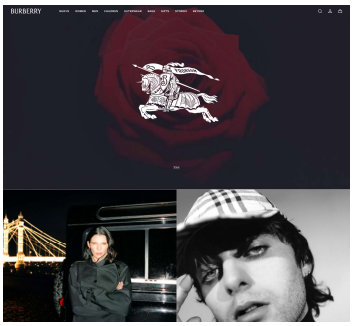
## PROGRESS ACROSS DISTRIBUTION PILLARS

### MARKETS

Robust performance in EMEIA and strong momentum in Asia Pacific

### RETAIL STORES

Acceleration of store refurbishment programme and improvement in store productivity




### E-COMMERCE

A clear plan to unlock e-commerce potential

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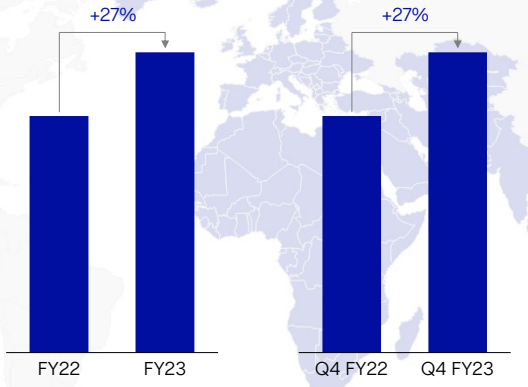
## EMEIA | TOURIST RECOVERY DRIVING GROWTH

RETAIL COMPARABLE SALES GROWTH




- Strong performance in FY23, with double digit growth in each quarter
- Driven by return of tourists, particularly from Americas and Asia (excl. Mainland China)
- New and refurbished full-price stores accounting for ~25% of store network as of FY23

Note: Growth rates are based on comparable store sales

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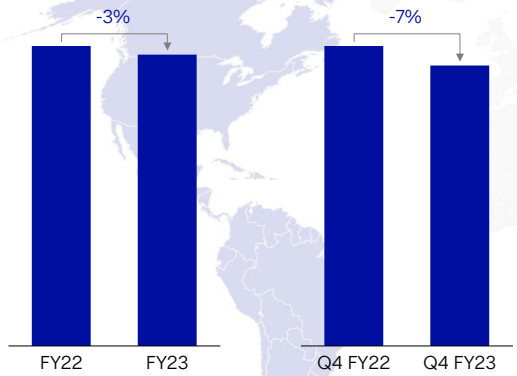
## AMERICAS | IMPROVING BUSINESS MIX, DESPITE OVERALL SOFT PERFORMANCE

### RETAIL COMPARABLE SALES GROWTH




- Softening performance in FY23, driven by pressure in entry-level categories
- Positive traction in higher priced items, particularly in Leather Goods
- New and refurbished full-price stores representing ~10% of the network as of FY23

Note: Growth rates are based on comparable store sales

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NORTHPARK | DALLAS, AMERICAS

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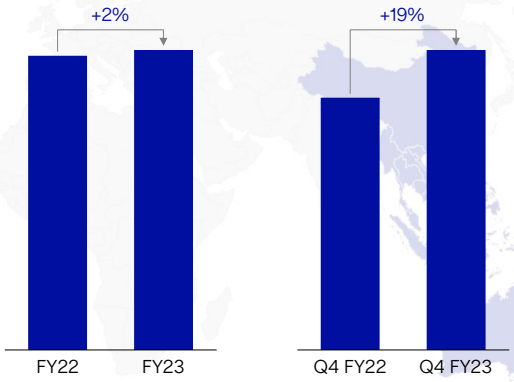
## ASIA PACIFIC | STRONG MOMENTUM ACROSS MARKETS

### RETAIL COMPARABLE SALES GROWTH




- Strong growth acceleration in Q4, driven by reopening in Mainland China
- Significant recovery of Chinese tourists
- Continued progress on full-price store new openings and refreshes with ~40% refurbished as of FY23

Note: Growth rates are based on comparable store sales

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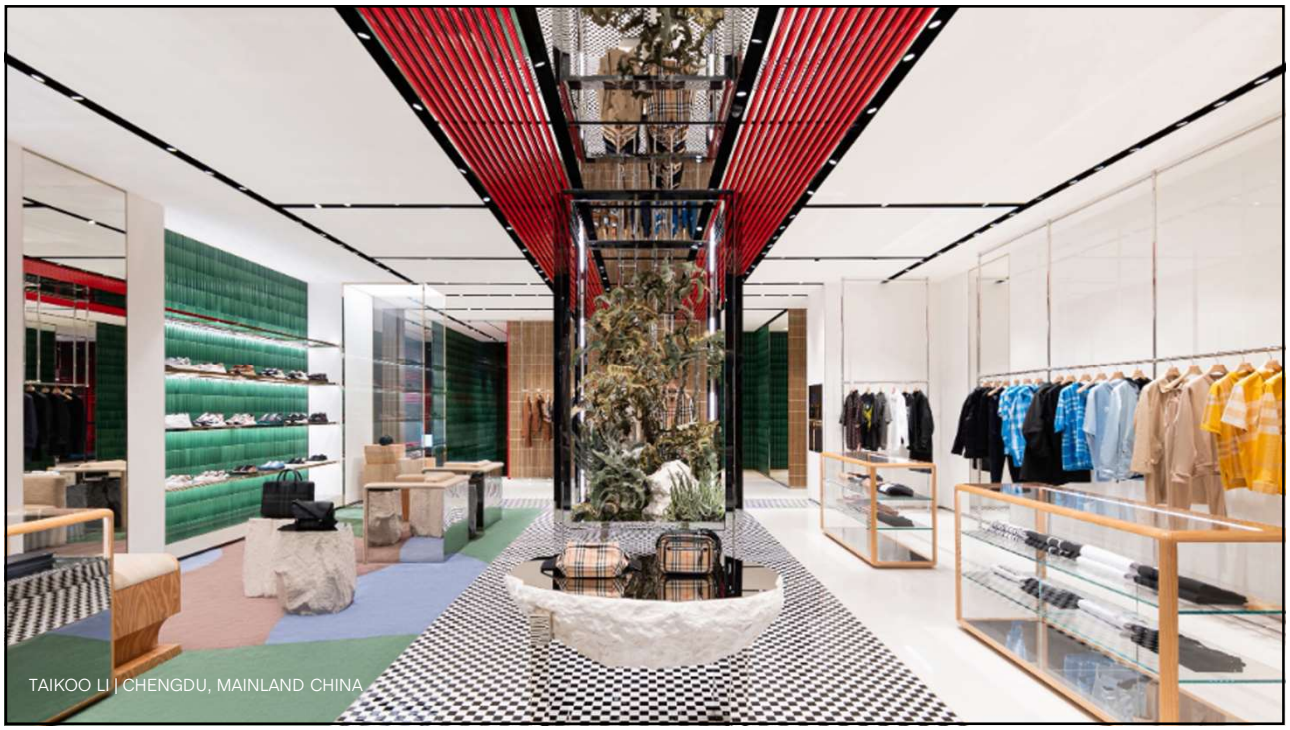


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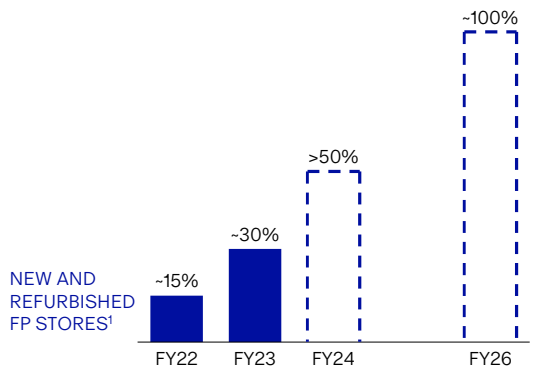
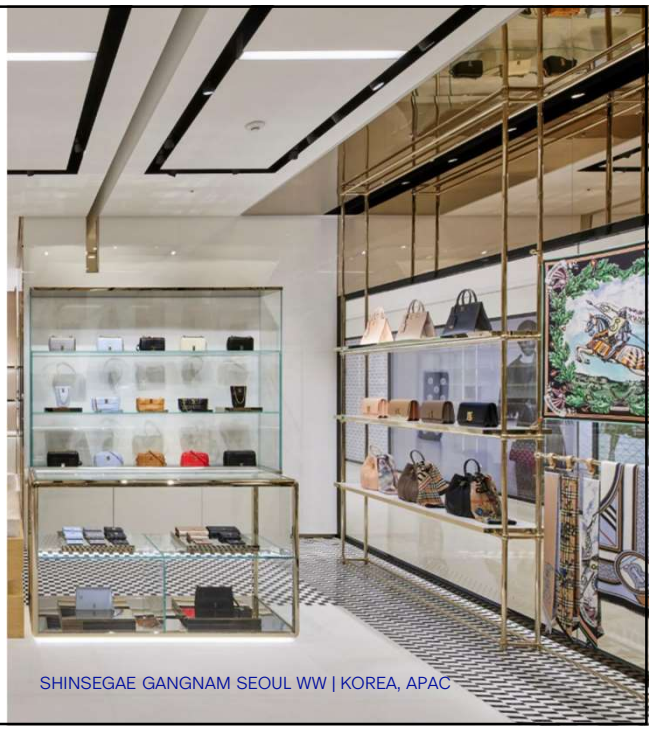
## STORE REFURBISHMENT PROGRAMME PROGRESSING AT SPEED




Note: [1] Based on full price network


SHINSEGAE GANGNAM SEOUL WW | KOREA, APAC

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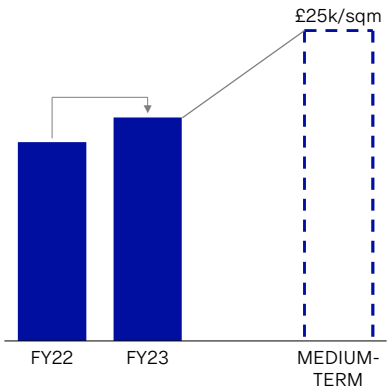
## IMPROVEMENT IN PRODUCTIVITY

### BURBERRY RETAIL PRODUCTIVITY




Note: Retail productivity graph not to scale

HANKYU UMEDA | JAPAN, APAC

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## A CLEAR PLAN TO UNLOCK E-COMMERCE POTENTIAL

### Brand.com

**MAXIMISE & OPTIMISE DEMAND**

- Balance media spend across funnel
- Improve performance media targeting
- Expand reach to new platforms and geographies

**ELEVATE CUSTOMER EXPERIENCE**

- Refresh look and feel
- Develop unique product journeys
- Personalise content and product recommendations
- Expand omnichannel

**ENHANCE PRODUCT & MERCHANDISING**

- Develop compelling product calendar
- Increase newness drops and digital exclusives

Traffic | Conversion rate | Average Transaction Value

### 3P

**DEEPEN 3P COLLABORATION**

- Focus on strategic partners

3P Revenue

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# Operations

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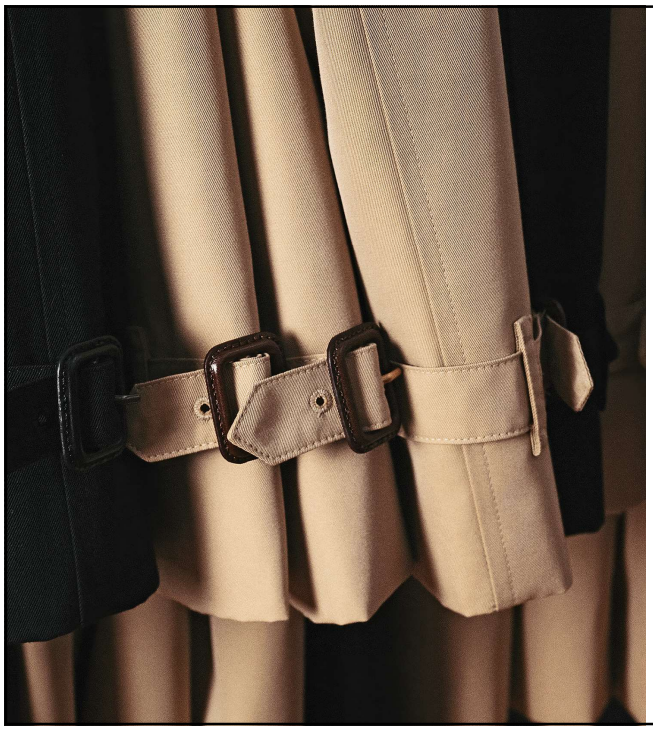

## A STRONGER OPERATING MODEL WITH PRODUCT FRONT AND CENTRE

- Established a more vertical operation to support our product ambition, integrating Product Development and Supply Chain, led by newly appointed Chief Supply Chain and Industrial Officer
- Strengthened connection between Merchandising, Planning and Design, through newly appointed Chief Merchandising Officer

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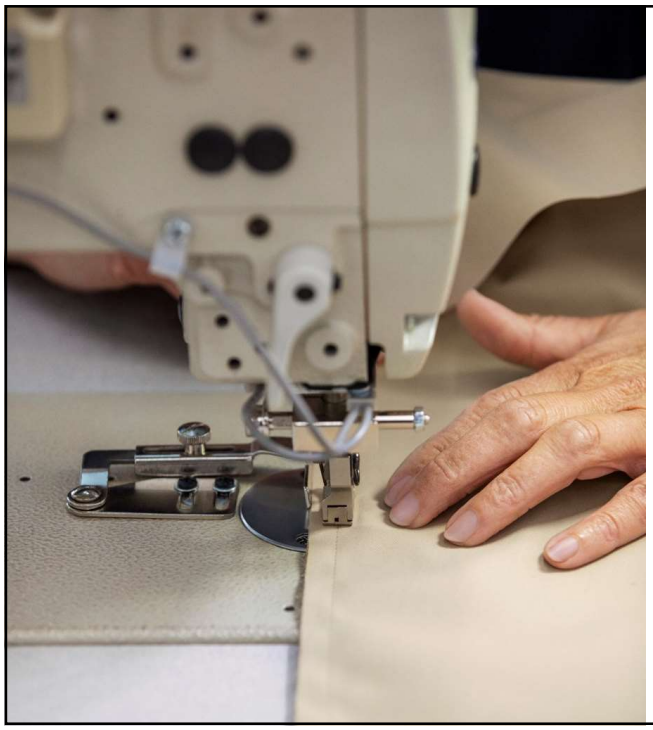

## PROCESS SIMPLIFICATION TO DRIVE AGILITY IN OUR VALUE CHAIN

- Streamlined our collection structure, thereby simplifying product development and optimising in-store delivery
- Improved delivery flow and availability of core product offer across our store network, globally

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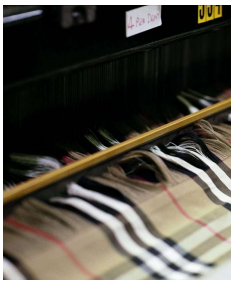
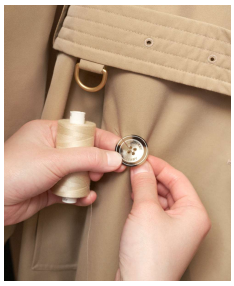
## EXPANDING CAPABILITIES AND SECURING CAPACITY FOR STRATEGIC CATEGORIES

Existing capabilities

New capabilities





**Manifattura**

(Italy)
Leather Goods

**The Mill**

(England)
Linings and Gabardine

**Castleford**

(England)
Heritage Rainwear

**Turin Site**

(Italy)
Outerwear

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## CFO APPOINTMENT

Announced appointment of Kate Ferry as CFO

Joining in July

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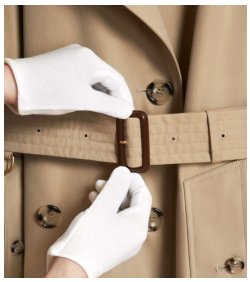
## PROGRESS ON OUR RESPONSIBILITY COMMITMENTS

### PRODUCT



**Responsible Craftsmanship**

Expanded aftercare services to new product categories and to >300 stores

### PLANET

**Becoming Climate Positive**

Achieved DD decrease in scope 1,2 and 3 emissions[1]

### PEOPLE

**Champion inclusion and wellbeing**

Brought forward living wage increase to support UK employees through cost of living crisis

Expanded supply chain wellbeing programme to new vendors

### COMMUNITIES

**Positively Impact Young People**

Established a global partnership with the International Youth Foundation through the Burberry Foundation

Notes: [1] from FY17 baseline for scope 1 and 2, from FY19 baseline for scope 3.

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## CONCLUSION

- Exceptional response to new creative expression
- Strong performance across strategic product categories
- Improvement in store productivity, as store refurbishment programme progresses at pace
- Strengthened execution, setting up operating model and leadership team for the future
- Delivering on responsibility commitments
- Confirming medium-term ambition and FY24 outlook

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# Q&A

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# APPENDIX

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## DISCLAIMER

The financial information contained in this presentation is unaudited.

Certain statements made in this announcement 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 announcement 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 announcement 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

| APM | Description and purpose | GAAP measure reconciled to |
|---|---|---|
| Constant Exchange Rates (CER) | This measure removes the effect of changes in exchange rates and the 53rd week in the prior period. The constant exchange rate incorporates both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain. | *Results at reported rates* |
| Comparable sales | 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. This measure is used to strip out the impact of permanent store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak. | *Retail Revenue:* |
| Comparable sales vs 2019 | The change in sales over four years measured at constant foreign exchange rates. It also includes online sales. The measurement of comparable sales has not excluded stores temporarily closed due to COVID-19 outbreak. This measure reflects the four-year aggregation of the growth rates. | |

| **Period ended YoY%** | **52 weeks ended 1 April 2023** | **53 weeks ended 2 April 2022** |
|---|---|---|
| **Comparable sales** | 7% | 18% |
| **Change in space** | (1%) | 2% |
| **CER retail** | 6% | 20% |
| **53rd week** | (2%) | 2% |
| **FX** | 6% | (3%) |
| **Retail revenue** | 10% | 19% |

All metrics and commentary in this presentation are at reported FX and exclude adjusting items unless stated otherwise.
Certain financial data within this presentation have been rounded.

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## ALTERNATIVE PERFORMANCE MEASURES

| APM | Description and purpose | GAAP measure reconciled to |
|---|---|---|
| Adjusted Profit | Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance. | *Reported Profit:*<br>A reconciliation of reported profit before tax to adjusted profit before tax and the Group's accounting policy for adjusted profit before tax are set out in the financial statements. |
| Free Cash Flow | Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items. | *Net cash generated from operating activities:* |

| Period ended £m | 52 weeks ended 1 April 2023 | 53 weeks ended 2 April 2022 |
|---|---|---|
| **Net cash generated from operating activities** | 750 | 699 |
| **Capex** | (179) | (161) |
| **Lease principal and related cash flows** | (210) | (206) |
| **Proceeds from disposal of non-current assets** | 32 | 8 |
| **Free cash flow** | 393 | 340 |

Cash Conversion — Cash conversion is defined as free cash flow pre-tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.

| Period ended £m | 52 weeks ended 1 April 2023 | 53 weeks ended 2 April 2022 |
|---|---|---|
| **Free cash flow** | 393 | 340 |
| **Tax paid** | 140 | 180 |
| **Free cash flow before tax** | 533 | 520 |
| **Adjusted profit before tax** | 613 | 492 |
| **Cash conversion** | 87% | 106% |

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## ALTERNATIVE PERFORMANCE MEASURES

| APM | Description and purpose | GAAP measure reconciled to |
|---|---|---|
| Net Debt | Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts. | *Cash net of overdrafts:* |

| Period ended £m | As at 1 April 2023 | As at 2 April 2022 |
|---|---|---|
| **Cash net of overdrafts** | 961 | 1,177 |
| **Lease liability** | (1,123) | (1,058) |
| **Borrowings** | (298) | (298) |
| **Net debt** | (460) | (179) |

Adjusted EBITDA — Adjusted EBITDA is defined as operating profit, excluding adjusting operating items, depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. Any depreciation or amortisation included in adjusting operating items are not double-counted. Adjusted EBITDA is shown for the calculation of Net Debt/EBITDA for our leverage ratios.

*Reconciliation from operating profit to adjusted EBITDA:*

| Period ended £m | 52 weeks ended 1 April 2023 | 53 weeks ended 2 April 2022 |
|---|---|---|
| **Operating profit** | 657 | 543 |
| **Adjusting operating items** | (23) | (20) |
| **Amortisation of intangible assets** | 37 | 39 |
| **Depreciation of property, plant and equipment** | 95 | 86 |
| **Depreciation of right-of-use assets** | 209 | 188 |
| **Adjusted EBITDA** | 975 | 836 |

All metrics and commentary in this presentation are at reported FX and exclude adjusting items unless stated otherwise.
Certain financial data within this presentation have been rounded.

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## FY23 | ADJUSTING ITEMS

| | | FY23 £m | FY22 £m |
|---|---|---|---|
| COVID-19 RELATED | Inventory provisions (recognised in COGS) | 1 | 16 |
| | Rent concessions | 13 | 18 |
| | Government grants | 2 | 2 |
| | Store impairments | 6 | (5) |
| | Receivable impairments | - | 1 |
| | **COVID-19 related adjusting items** | **22** | 32 |
| | Restructuring costs | (16) | (11) |
| | Revaluation of deferred consideration liability | (2) | (1) |
| | Profit on sale of property | 19 | - |
| | **Adjusting operating items** | **23** | 20 |
| | Adjusting financing items | (2) | (1) |
| | **Total adjusting items** | **21** | 19 |

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## FY24 | FINANCIAL OUTLOOK

| | | |
|---|---|---|
| REVENUE | Retail space | Space is expected to be broadly stable in FY24 |
| | Wholesale | Wholesale revenue is expected to decline around low double digits in H1 FY24, and broadly stable for the full year |
| PROFIT | Tax rate | We expect the adjusted effective tax rate to be around 27% |
| FX* | | Based on 21st April effective FX rates, the impact of year-on-year exchange rate movements is expected to be a c.£70m headwind on revenue and c.£40m headwind on adjusted operating profit |
| CASH FLOW | Capex | Capex is expected to be c.£200m with over 50% of store network updated |
| DIVIDEND | | Full year dividend proposed at [61.0]p, 30% ahead of FY22 |
| SHARE BUYBACK | | £400m share buyback planned |

*Based on FX rates 21 April 2023
Note: all guidance based on FY23 CER

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## FOREIGN EXCHANGE RATES

| EXCHANGE RATES | FY24 FORECAST AVERAGE EFFECTIVE RATES | ACTUAL AVERAGE EXCHANGE RATES | |
|---|---|---|---|
| £1= | 21 April 2023 | FY23 | FY22 |
| Euro | 1.13 | 1.16 | 1.18 |
| US Dollar | 1.24 | 1.20 | 1.36 |
| Chinese Renminbi | 8.57 | 8.27 | 8.73 |
| Hong Kong Dollar | 9.75 | 9.43 | 10.63 |
| Korean Won | 1,653 | 1,577 | 1,596 |

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REPORTING CALENDAR

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