



# BURBERRY

LONDON ENGLAND

FINANCIAL ANALYSIS

Look No.46

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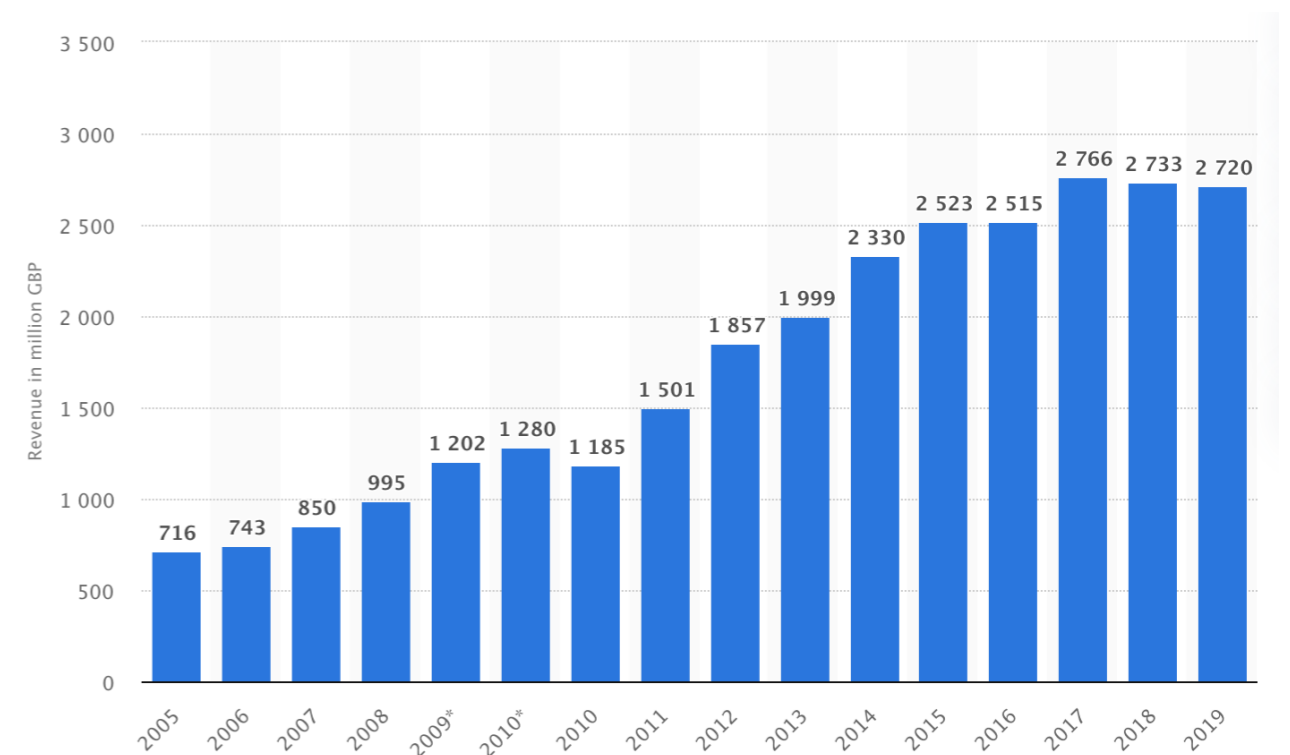
I N T R O D U C T I O N

The Burberry Group is a public limited company listed on London Stock Exchange since 2002 July. Since the company was listed, Burberry's revenues had grown by 272 per cent and after seven years was admitted to the prestigious Financial Times Stock Exchange 100 Index, where most successful and largest world's companies are listed (London Stock Exchange Group; 2012). Currently, Burberry Group closing share price is GBX 1,674 (London Stock Exchange; 2020/06/10 16:30 GMT).

The British luxury fashion brand Burberry has been keeping a healthy financial position until the COVID-19 outbreak in 2020, which lead the company to a decline in Q4 sales by 27 per cent. The expectations were high for the company, however at the end of the FY20, most of the Burberry stores had to be closed due to the safety of the staff and consumers (CPP-Luxury; 2020). The early impact of COVID-19 was noticed at the beginning of February by most of the high-end fashion brands that has a big demand in Asia. It has significantly affected Burberry sales as around 40 per cent of the generated sales come from China (CNBC; 2020). However, as more stores started opening, sales started recovering.

Worth to mention, before the pandemic the company was holding steady, as from 2017 the CEO Marco Gobetti announced the new repositioning strategy for the brand. During years, the change in the business strategy has reflected in a positive performance which is expected to be long-term. In terms of collections, as Burberry had a backlash of burning its unsold stock, the new strategy is based on creating more capsule collections and focus on innovation and adding novelty to the core products with the help of Riccardo Tisci (Shannon; 2017).

In the following pages, Burberry's financial analysis will be assessed and supported by the financial ratios calculations.



Burberry revenue worldwide. Source: <https://www.statista.com/statistics/263885/burberrys-worldwide-revenue/>



The financial analysis will be based on the calculated ratios results, financial outcome, internal with external factors which had an impact on the company. In order to make a clear assessment of Burberry performance, last two Fiscal Years (2019 and 2020) will be put in comparison.

# PROFITABILITY

Profitability ratios measure how effective the firm is at generating profits while taking into consideration how the company manages its control towards costs and increasing profits. Profitability ratios' calculations are presented in the Appendix.

**Gross Profit margin** represents the percentage return of sales after subtracting the cost of sales. The Gross profit decreased from 1,860.8 GBP m in 2019 to 1,705.5 GBP m in 2020. As well, the cost of sales has slightly increased from 859.4 GBP m to 927.6 GBP m. The change in all figures resulted in a Gross Profit Margin decrease from the previous year as investments in product quality were partly offset by lower levels of discounting. Although, the company took steps towards containing the costs and protecting its financial position (Burberry Annual Report; 2020).

**Net profit margin** represents an actual percentage that has returned from sales as an operating profit of the company is already after cost of sales, financial items and taxation were paid off. Burberry net profit margin has dropped from 12.45 per cent in 2019 to 4.62 per cent in 2020. According to an Annual Report 19/20, the company had significantly higher net finance expenses: in the finance income was higher (8.7 GBP m) than the finance expenses (5.3 GBP m), although the total finance expense in fiscal year 2020 was way higher, reaching 20.2 GBP m. As well, increased cost of sales and net operating expenses had an impact on a lower net profit margin.

**Return of Capital Employed (ROCE)** measures and assesses company's performance as the profit before interest and taxes is expressed in percentage return of the total equity and debt. For Burberry, as there was a decline in profit margins, the return of capital employed declined from 25.84 per cent to 7.37 per cent in 2020. A ROCE of 7.37 per cent means that the company used every £1 of capital to generate 7.37p in profit.

**Return of Equity (ROE)** assesses profitability of the stockholders of the firm. It reflects the growth of the investment. ROE is the net income's percentage of the stockholder's investment. This figure dropped to 10 per cent in comparison to 23.23 per cent return in the year of 2019. Usually there are two main reasons affecting the decline in ROE: decline either in net profit or equity. In comparison, Burberry had a 65 per cent decline in the net profit and only 16 per cent decline in the total equity. It can be concluded that in this case, the decrease in return was mainly based on decline in net profit.

Due to COVID-19 the prices for luxury raw materials were increased which leads to an increased cost of sales (lower gross profit).

Net finance expenses were way higher, it might be assumed that the company decided to fully cover the debt in order to create tax shield.

Significant increase in the liabilities due to COVID-19.

# LIQUIDITY

Liquidity ratios measure the ability of a company to meet its debts while assessing how well the company manages and controls its working capital, while considering assets against liabilities. Liquidity ratios' calculations are presented in the Appendix.

**Current ratio** assesses the between the Current Assets and Current Liabilities. To clarify, it is better for a company to have the result bigger than one as it shows that the firm can cover what it owes. Both years have similar results: 2.5:1 in 2019 and 2.3 in 2020. Although it has slightly declined in 2020 as there was an increase in liabilities. Burberry can still be considered as liquid. According to financial writer Shobhit Seth, a current ratio between 1.5 and 3 is considered healthy (Shobhit; 2019).

**Acid test** indicates if the company can still cover what it owes without selling the stock. It can never be guaranteed that the stock will be sold out or it will be sold out for the expected price. In addition, it is not healthy for a company if the inventory is taking a big part of the assets. The figures for both years are 1.8:1 in 2019 and 1.7:1 in 2020 which is good as a result around 1 is considered to be healthy. In the year of 2020, Burberry had 1.7 times more cash than it owes.

It can be assumed that Burberry manages its debt well as there are more assets than liabilities and even if the stock is excluded, the company would be still able to cover it's liabilities. It is a sign of a healthy performance.



Burberry has a capital allocation framework, which prioritises use of cash, while maintaining an appropriate capital structure for the business. While this framework remains unchanged, given the uncertainty resulting from COVID-19, in the short term we are taking a prudent approach, looking to focus on business resilience and securing liquidity. Although this has temporary implications for the application of the framework due to COVID-19, its target is to maintain a strong balance sheet with solid investment-grade credit metrics.  
 -Burberry Annual Report 19/20.

# GEARING

Gearing ratios measure the proportion of company's amount of debt to its equity held. These ratios take into consideration firm's ability to sell out the stock, generate money and pay back the debt. Gearing ratios' calculations are presented in the Appendix.

**Debt/Equity ratio** measures how much debt the company has in relation to total equity. In 2019, Burberry had a Debt/Equity of 0.6:1 which means that it had less debt comparing to equity. However, in 2020 the Debt/Equity ratio grew to 1.7:1 which tells us that that there is more debt. On the other hand, in the chart below shows that Burberry Group has more cash than debt which means that the company can still manage its debts by operating cash flow. Besides, debt financing creates a tax shield for the firm as after the finance expenses are covered, there is a smaller amount of income which leads to a lower taxation.



Debt, Cash Flow, Equity. Source:

**Interest Cover Ratio** assesses the company's income whether it is sufficient to cover the interest and other finance costs or not. The ratio is expressed as EBIT in relation with Interest that was paid. Starting with the year of 2019, the interest paid was low although the coverage was great 128.6 X. On the other hand, in 2020 the interest paid was way bigger and the coverage was very low 9.34 X. In addition, the 2020 EBIT was 57 per cent lower than in the previous year.

# INVESTMENT

Investment ratios are based on the information for current and potential shareholders, to enable the decisions to be made while taking into consideration the earning potential of investment and risks. Investment ratios' calculations are presented in the Appendix.

**Earnings Per Share (EPS) ratio** represents how much the company is making for every share that is held. In 2019, Burberry had an EPS of 81.7p, although in the next year it has dropped to 29.7p as the net income was lower as mentioned before.

**Dividend Cover** assesses the ability of the company to cover its dividend payments from the income. The figure for 2019 is 1.982 X and in 2020 the net income was only 0.694 X bigger than the dividend payments which is due to a lower net profit.

**Dividend Per Share (DPS)** represents the amount of dividend that is paid for every share. The DPS in 2019 was 41.22p, and the dividend for the 2020 is 42.84p.

**Dividend Payout** measures the percentage of the total profit which is paid out in dividends for the stockholders. Dividend payout in 2019 was 50 per cent which means that dividends were well covered and there was money left to invest in the potential opportunities, while in the 2020 the calculation shows the figure of 144.1% which seems too high. It might suggest that the dividend is not sustainable and to cover it the company needed to use retained earnings as well.

**Dividend Yield** assesses the current rate of return on their investment. The calculated dividend yield for 2019 is 2.82 per cent. In 2020 the dividend yield does not differ much - 2.93 per cent. Dividends are seem to be stable. In the following page, the bar chart of comparison of Dividend in the market and industry is represented

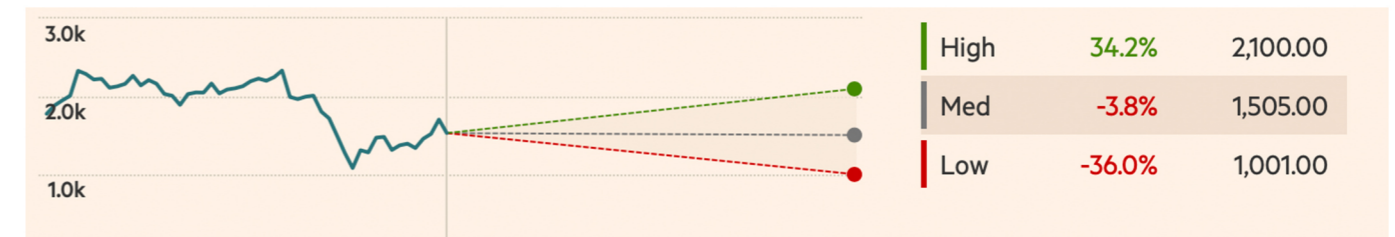
**Price/Earnings (P/E) ratio** assesses the level of confidence of the stockholders in the company's future. It also measures the value of the shares considering the current share price of the company. In 2020, P/E is 49.3 X which suggests that the value is poor, as the industry's P/E average is 17.1 X and specifically compared to UK's market which is 14.9 X.



| Recommendations | 18-Jun-20 |
|-----------------|-----------|
| Buy             | 1         |
| Outperform      | 3         |
| Hold            | 11        |
| Underperform    | 5         |
| Sell            | 1         |

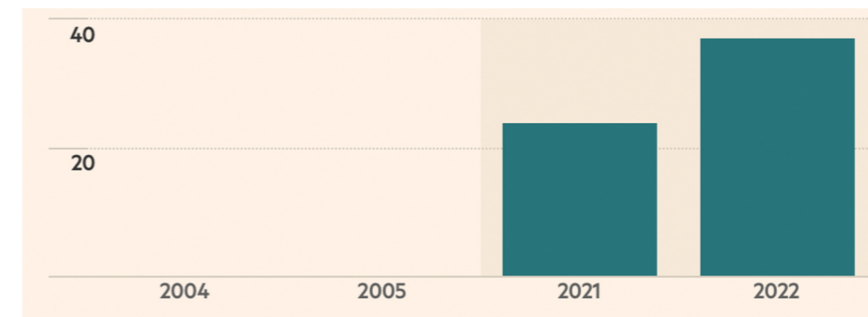
According to Financial Times Forecasts, generally analysts are recommending to hold in terms of Burberry's share price. The stock advise is provided in the following page.

## SHARE PRICE FORECAST



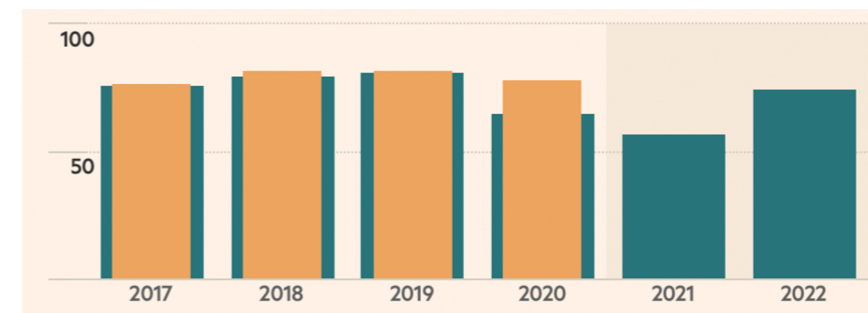
The graph above shows a price target forecast of 18 analysts. Analyst's opinions are divided into three expectations of share price performance. A high increase in the share price is expected, although there are many factors (internal and external) that might have a negative impact. The growth in share price depends how Burberry will deal with the post-covid situation. For instance, if the tourism will star recovering at a really slow pace, then luxury fashion brands will be affected negatively if the right actions are not taken.

## DIVIDENDS



In May 2020, Burberry reported a dividend (interim) of 11p for FY21, which represents a big decrease. Although, the analysts expect the dividend increase of 24p for the whole FY21.

## EARNINGS HISTORY AND ESTIMATES



It is expected to see the average growth rate of 3.17% in the future.



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The calculated ratios provide a useful information for investors whether it is worth to invest, hold, sell or stay neutral in terms of share price.

Until the COVID-19 outbreak, Burberry has shown a positive growth in profits, however the results of FY 2020 might be confusing for the investors. The growth of EPS has not showed significant results. The risk of not meeting FY21 mid-term expectations as the tourism has not recovered and it is recommended to sell Burberry shares (CPP-Luxury; 2020). However, the company manages to maintain a relatively stable dividend which is appreciated. The current share price is low comparing to the previous peak, it still seems convenient for the stockholders who already own shares to risk. It could be suggested to hold and wait for the further results. When the share price trends recover and if it overcomes the expectations, the shareholders might have a convenient opportunity to sell the shares at the bigger price. Considering the factors that have made an impact on the company's financial health, it might be worth to risk by owning Burberry shares as there are big expectations for the future positive performance. To add in, the sales have a potential to grow as the China has already dealt with the worst crisis point and it seems that it might recover quicker than the other regions, and Burberry is generating around 40 per cent of sales from China (Seara; 2020).



R E C O M M E N D A T I O N S

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Firstly, Earnings Per Share are not growing too much, this figure could suggest that the firm could pay a bit higher dividend instead. The P/E ratio figure of the fiscal year 2020 shows that it has increased which means that the value of shares is poor. Furthermore, the company should continue investing in its new business strategy. It seems that the brand repositioning reflects on the customer excitement and this is the key factor in recovering revenues after the decline due to coronavirus. To continue with, it is important for the company to rethink the customer experience in the physical stores and prepare for the 'new normal'. As the store closures have been canceled in many countries, the commitment towards safe and innovative experience should be communicated towards consumers. Although, there are big expectations for the Burberry as in the Annual Report 19/20 a quick response strategy to the pandemic is briefly described and it gives more confidence for the company's future. Lastly, Burberry announced that the final dividends will not be paid in order to keep more cash, although the shares increased by 1.8 per cent after this news. It seems that the situation will not get better soon, but when a look is taken at the bigger picture, a promising performance in the future is expected.

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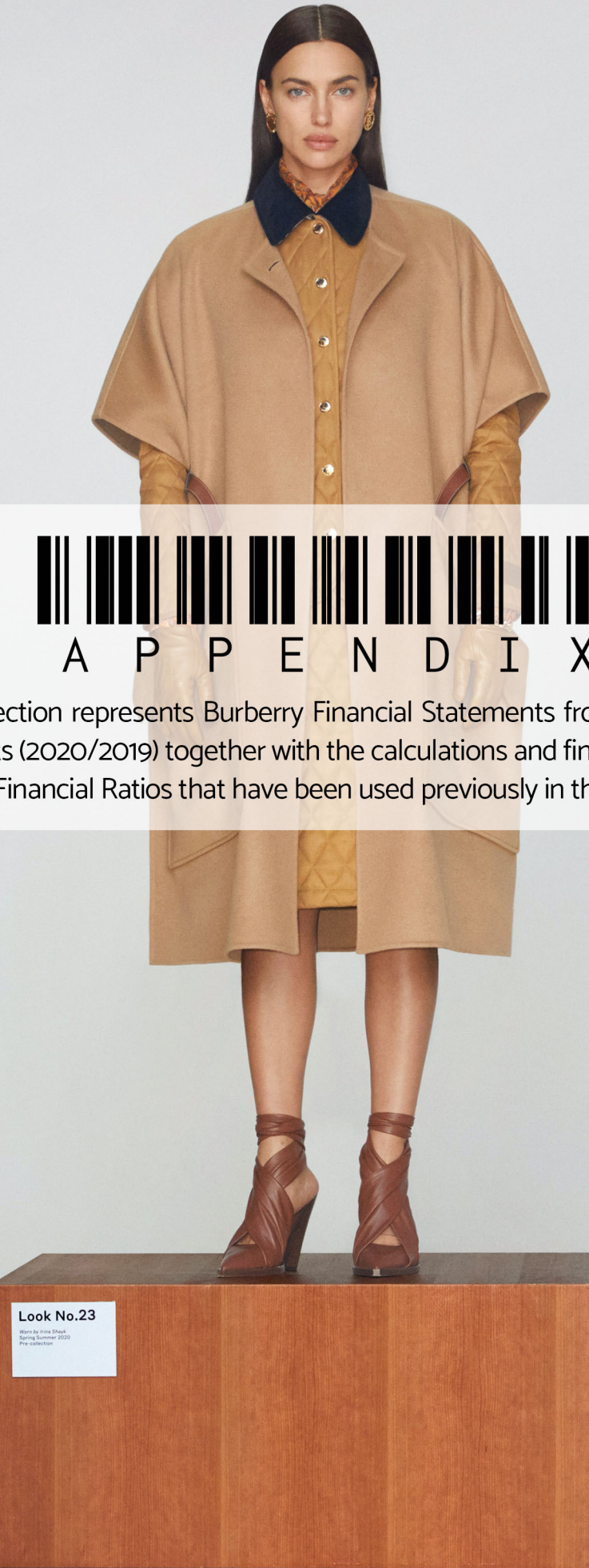
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## A P P E N D I X

This section represents Burberry Financial Statements from the Annual Reports (2020/2019) together with the calculations and final figures of all Financial Ratios that have been used previously in the report

## INCOME STATEMENT

|   | Note | 52 weeks to<br>28 March<br>2020<br>£m | 52 weeks to<br>30 March<br>2019<br>£m |
|---|------|---------------------------------------|---------------------------------------|
| Revenue   | 3    | 2,633.1                               | 2,720.2                               |
| Cost of sales   |      | (927.6)                               | (859.4)                               |
| <b>Gross profit</b>   |      | <b>1,705.5</b>                        | <b>1,860.8</b>                        |
| Net operating expenses  | 4    | (1,516.8)                             | (1,423.6)                             |
| <b>Operating profit</b>   |      | <b>188.7</b>                          | <b>437.2</b>                          |
| <b>Financing</b>  |      |                                       |                                       |
| Finance income  |      | 7.6                                   | 8.7                                   |
| Finance expense   |      | (26.6)                                | (3.6)                                 |
| Other financing charge  |      | (1.2)                                 | (1.7)                                 |
| <b>Net finance (expense)/income</b>                                 | 8    | <b>(20.2)</b>                         | <b>3.4</b>                            |
| <b>Profit before taxation</b>                                       | 5    | <b>168.5</b>                          | <b>440.6</b>                          |
| Taxation  | 9    | (46.9)                                | (101.5)                               |
| <b>Profit for the year</b>  |      | <b>121.6</b>                          | <b>339.1</b>                          |
| <b>Attributable to:</b>   |      |                                       |                                       |
| Owners of the Company   |      | 121.7                                 | 339.3                                 |
| Non-controlling interest  |      | (0.1)                                 | (0.2)                                 |
| <b>Profit for the year</b>  |      | <b>121.6</b>                          | <b>339.1</b>                          |
| <b>Earnings per share</b>   |      |                                       |                                       |
| Basic   | 10   | 29.8p                                 | 82.3p                                 |
| Diluted   | 10   | 29.8p                                 | 81.7p                                 |
|   |      | £m                                    | £m                                    |
| <b>Reconciliation of adjusted profit before taxation:</b>           |      |                                       |                                       |
| Profit before taxation  |      | 168.5                                 | 440.6                                 |
| Adjusting operating items:  |      |                                       |                                       |
| Cost of sales   | 5    | 68.3                                  | -                                     |
| Net operating expenses  | 5    | 176.1                                 | 0.9                                   |
| Adjusting financing items   | 5    | 1.2                                   | 1.7                                   |
| <b>Adjusted profit before taxation – non-GAAP measure</b>           |      | <b>414.1</b>                          | <b>443.2</b>                          |
| <b>Adjusted earnings per share – non-GAAP measure</b>               |      |                                       |                                       |
| Basic   | 10   | 78.9p                                 | 82.7p                                 |
| Diluted   | 10   | 78.7p                                 | 82.1p                                 |
| <b>Dividends per share</b>  |      |                                       |                                       |
| Interim   | 11   | 11.3p                                 | 11.0p                                 |
| Proposed final (not recognised as a liability at 28 March/30 March) | 11   | -                                     | 31.5p                                 |

## CASH FLOW

|   | Note | 52 weeks to<br>28 March<br>2020<br>£m | 52 weeks to<br>30 March<br>2019<br>£m |
|---|------|---------------------------------------|---------------------------------------|
| <b>Cash flows from operating activities</b>                             |      |                                       |                                       |
| Operating profit  |      | 188.7                                 | 437.2                                 |
| Amortisation of intangible assets                                       | 12   | 26.4                                  | 28.6                                  |
| Depreciation of property, plant and equipment                           | 13   | 83.3                                  | 87.2                                  |
| Depreciation of right-of-use assets                                     | 14   | 221.1                                 | -                                     |
| Net impairment charge of intangible assets                              | 12   | 11.6                                  | 3.9                                   |
| Net impairment charge of property, plant and equipment                  | 13   | 26.4                                  | 7.9                                   |
| Net impairment charge of right-of-use assets                            | 14   | 140.3                                 | -                                     |
| Loss on disposal of property, plant and equipment and intangible assets |      | 0.7                                   | 1.2                                   |
| Gain on disposal of right-of-use assets                                 |      | (2.1)                                 | -                                     |
| Gain on disposal of Beauty operations                                   |      | (5.0)                                 | (6.9)                                 |
| Gain on derivative instruments  |      | (3.1)                                 | (2.4)                                 |
| Charge in respect of employee share incentive schemes                   |      | 2.8                                   | 15.7                                  |
| Receipt from settlement of equity swap contracts                        |      | 0.2                                   | 2.5                                   |
| Decrease/(increase) in inventories                                      |      | 27.4                                  | (59.3)                                |
| Increase in receivables   |      | (9.8)                                 | (54.6)                                |
| (Decrease)/increase in payables and provisions                          |      | (84.0)                                | 54.9                                  |
| Cash generated from operating activities                                |      | 624.9                                 | 515.9                                 |
| Interest received   |      | 7.2                                   | 8.1                                   |
| Interest paid   |      | (26.0)                                | (1.8)                                 |
| Taxation paid   |      | (150.3)                               | (110.8)                               |
| <b>Net cash generated from operating activities</b>                     |      | <b>455.8</b>                          | <b>411.4</b>                          |
| <b>Cash flows from investing activities</b>                             |      |                                       |                                       |
| Purchase of property, plant and equipment                               |      | (85.3)                                | (62.6)                                |
| Purchase of intangible assets   |      | (63.5)                                | (48.0)                                |
| Proceeds from sale of property, plant and equipment                     |      | 3.0                                   | -                                     |
| Initial direct costs of right-of-use assets                             |      | (5.6)                                 | -                                     |
| Proceeds from disposal of Beauty operations, net of cash costs paid     |      | -                                     | 0.6                                   |
| Acquisition of subsidiary   |      | -                                     | (14.5)                                |
| <b>Net cash outflow from investing activities</b>                       |      | <b>(151.4)</b>                        | <b>(124.5)</b>                        |
| <b>Cash flows from financing activities</b>                             |      |                                       |                                       |
| Dividends paid in the year  | 11   | (175.2)                               | (171.1)                               |
| Payment to non-controlling interest                                     | 20   | (2.7)                                 | (11.1)                                |
| Proceeds from borrowings  | 24   | 300.0                                 | -                                     |
| Payment of lease principal  |      | (228.4)                               | -                                     |
| Payment on termination of lease   |      | (9.7)                                 | -                                     |
| Issue of ordinary share capital   |      | 3.8                                   | 2.3                                   |
| Purchase of own shares through share buy-back                           | 25   | (150.7)                               | (150.7)                               |
| Purchase of own shares by ESOP trusts                                   |      | -                                     | (12.8)                                |
| <b>Net cash outflow from financing activities</b>                       |      | <b>(262.9)</b>                        | <b>(343.4)</b>                        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |      | <b>41.5</b>                           | <b>(56.5)</b>                         |
| Effect of exchange rate changes   |      | 8.5                                   | 1.7                                   |
| Cash and cash equivalents at beginning of year                          |      | 837.3                                 | 892.1                                 |
| <b>Cash and cash equivalents at end of year</b>                         |      | <b>887.3</b>                          | <b>837.3</b>                          |
|   |      | As at<br>28 March<br>2020<br>£m       | As at<br>30 March<br>2019<br>£m       |
| Cash and cash equivalents as per the Balance Sheet                      | 19   | 928.9                                 | 874.5                                 |
| Bank overdrafts   | 23   | (41.6)                                | (37.2)                                |
| <b>Net cash</b>   |      | <b>887.3</b>                          | <b>837.3</b>                          |

## BALANCE SHEET

|   | Note | As at<br>28 March<br>2020<br>£m | As at<br>30 March<br>2019<br>£m |
|---|------|---------------------------------|---------------------------------|
| <b>ASSETS</b>   |      |                                 |                                 |
| <b>Non-current assets</b>   |      |                                 |                                 |
| Intangible assets   | 12   | 247.0                           | 221.0                           |
| Property, plant and equipment                                     | 13   | 294.9                           | 306.9                           |
| Right-of-use assets   | 14   | 834.0                           | -                               |
| Investment properties   |      | 2.5                             | 2.5                             |
| Deferred tax assets   | 15   | 171.5                           | 123.1                           |
| Trade and other receivables                                       | 16   | 53.7                            | 70.1                            |
|   |      | 1,603.6                         | 723.6                           |
| <b>Current assets</b>   |      |                                 |                                 |
| Inventories   | 17   | 450.5                           | 465.1                           |
| Trade and other receivables                                       | 16   | 252.1                           | 251.1                           |
| Derivative financial assets                                       | 18   | 6.7                             | 3.0                             |
| Income tax receivables  |      | 50.4                            | 14.9                            |
| Cash and cash equivalents   | 19   | 928.9                           | 874.5                           |
|   |      | 1,688.6                         | 1,608.6                         |
| <b>Total assets</b>   |      | <b>3,292.2</b>                  | <b>2,332.2</b>                  |
| <b>LIABILITIES</b>  |      |                                 |                                 |
| <b>Non-current liabilities</b>                                    |      |                                 |                                 |
| Trade and other payables  | 20   | (102.3)                         | (176.5)                         |
| Lease liabilities   | 21   | (910.0)                         | -                               |
| Borrowings  | 24   | (300.0)                         | -                               |
| Deferred tax liabilities  | 15   | (0.1)                           | (3.4)                           |
| Derivative financial liabilities                                  | 18   | -                               | (0.1)                           |
| Retirement benefit obligations                                    |      | (1.9)                           | (1.4)                           |
| Provisions for other liabilities and charges                      | 22   | (28.6)                          | (50.7)                          |
|   |      | (1,342.9)                       | (232.1)                         |
| <b>Current liabilities</b>  |      |                                 |                                 |
| Bank overdrafts   | 23   | (41.6)                          | (37.2)                          |
| Lease liabilities   | 21   | (215.5)                         | -                               |
| Derivative financial liabilities                                  | 18   | (4.8)                           | (5.5)                           |
| Trade and other payables  | 20   | (447.5)                         | (525.7)                         |
| Provisions for other liabilities and charges                      | 22   | (13.2)                          | (34.6)                          |
| Income tax liabilities  |      | (7.9)                           | (37.1)                          |
|   |      | (730.5)                         | (640.1)                         |
| <b>Total liabilities</b>  |      | <b>(2,073.4)</b>                | <b>(872.2)</b>                  |
| <b>Net assets</b>   |      | <b>1,218.8</b>                  | <b>1,460.0</b>                  |
| <b>EQUITY</b>   |      |                                 |                                 |
| <b>Capital and reserves attributable to owners of the Company</b> |      |                                 |                                 |
| Ordinary share capital  | 25   | 0.2                             | 0.2                             |
| Share premium account   |      | 220.8                           | 216.9                           |
| Capital reserve   | 25   | 41.1                            | 41.1                            |
| Hedging reserve   | 25   | 4.7                             | 3.5                             |
| Foreign currency translation reserve                              | 25   | 245.2                           | 227.7                           |
| Retained earnings   |      | 702.2                           | 965.6                           |
| <b>Equity attributable to owners of the Company</b>               |      | <b>1,214.2</b>                  | <b>1,455.0</b>                  |
| <b>Non-controlling interest in equity</b>                         |      | <b>4.6</b>                      | <b>5.0</b>                      |
| <b>Total equity</b>   |      | <b>1,218.8</b>                  | <b>1,460.0</b>                  |

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 204 to 256 were approved by the Board on 22 May 2020 and signed on its behalf by:

**MARCO GOBBETTI**      **JULIE BROWN**  
Chief Executive Officer      Chief Operating and Financial Officer



# RATIOS

This section represents financial ratios, calculated based on the figures from the Financial Statements of Annual Reports (2020/2019). In total 14 ratios are presented, divided into 4 main categories of assessment: PROFITABILITY | LIQUIDITY | GEARING | INVESTMENT

Look No.23  
 Show by V&A Shop  
 Spring Summer 2020  
 Presentation

## PROFITABILITY

FIGURE 1. GROSS PROFIT MARGIN

FORMULA:

$$\text{GROSS PROFIT MARGIN (\%)} = \frac{\text{SALES} - \text{COST OF SALES (GROSS PROFIT)}}{\text{SALES (REVENUES)}} \times 100$$

| YEAR | CALCULATION   | FIGURE  |
|------|---|---------|
| 2020 | $\frac{2,633.1 - 279.6}{2,633.1} \times 100 = 64.772$ | 64.77 % |
| 2019 | $\frac{2,720.2 - 859.4}{2,720.2} \times 100 = 68.407$ | 68.41 % |

FIGURE 2. NET PROFIT MARGIN

FORMULA:

$$\text{NET PROFIT MARGIN (\%)} = \frac{\text{NET PROFIT}}{\text{SALES (REVENUES)}} \times 100$$

| YEAR | CALCULATION                                 | FIGURE  |
|------|---|---------|
| 2020 | $\frac{121.6}{2,633.1} \times 100 = 4.618$  | 4.62 %  |
| 2019 | $\frac{339.1}{2,720.2} \times 100 = 12.466$ | 12.45 % |

FIGURE 3. RETURN ON CAPITAL EMPLOYED (ROCE)

FORMULA:

$$\text{ROCE (\%)} = \frac{\text{EBIT}}{\text{TOTAL EQUITY} + \text{LONG TERM LIABILITIES}} \times 100$$

EBIT - Earnings Before Interest and Taxes

| YEAR | CALCULATION  | FIGURE  |
|------|--|---------|
| 2020 | $\frac{188.7}{1,218.8 + 1,342.9} \times 100 = 7.366$ | 7.37 %  |
| 2019 | $\frac{437.2}{1,460.0 + 232.1} \times 100 = 25.838$  | 25.84 % |

FIGURE 4. RETURN OF EQUITY (ROE)

FORMULA:

$$\text{ROE (\%)} = \frac{\text{NET PROFIT}}{\text{TOTAL EQUITY}} \times 100$$

| YEAR | CALCULATION                                 | FIGURE  |
|------|---|---------|
| 2020 | $\frac{121.6}{1,218.8} \times 100 = 9.977$  | 10 %    |
| 2019 | $\frac{339.1}{1,460.0} \times 100 = 23.226$ | 23.23 % |

# LIQUIDITY

FIGURE 5. CURRENT RATIO

FORMULA:

$$\text{CURRENT RATIO (1:1)} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

| YEAR | CALCULATION                     | FIGURE  |
|------|---------------------------------|---------|
| 2020 | $\frac{1,688.6}{730.5} = 2.312$ | 2.3 : 1 |
| 2019 | $\frac{1,608.6}{640.1} = 2.513$ | 2.5 : 1 |

FIGURE 6. ACID TEST

FORMULA:

$$\text{ACID TEST (1:1)} = \frac{(\text{CURRENT ASSETS} - \text{INVENTORY})}{\text{CURRENT LIABILITIES}}$$

| YEAR | CALCULATION                               | FIGURE  |
|------|---|---------|
| 2020 | $\frac{(1,688.6 - 450.5)}{730.5} = 1.695$ | 1.7 : 1 |
| 2019 | $\frac{(1,608.6 - 465.1)}{640.1} = 1.786$ | 1.8 : 1 |

# GEARING

FIGURE 7. DEBT/EQUITY

FORMULA:

$$\text{DEBT/EQUITY (1:1)} = \frac{\text{TOTAL LIABILITIES}}{\text{TOTAL SHAREHOLDERS EQUITY}}$$

| YEAR | CALCULATION                       | FIGURE |
|------|-----------------------------------|--------|
| 2020 | $\frac{2,073.4}{1,218.8} = 1.701$ | 1.7:1  |
| 2019 | $\frac{872.7}{1,460.0} = 0.598$   | 0.6:1  |

FIGURE 8. INTEREST COVER

FORMULA:

$$\text{INTEREST COVER (X)} = \frac{\text{EBIT}}{\text{INTEREST PAID}}$$

| YEAR | CALCULATION                   | FIGURE  |
|------|-------------------------------|---------|
| 2020 | $\frac{188.7}{20.2} = 9.342$  | 9.34 X  |
| 2019 | $\frac{437.2}{3.4} = 128.588$ | 128.6 X |

# INVESTMENT

FIGURE 9. EARNINGS PER SHARE

FORMULA:

$$\text{EARNINGS PER SHARE (EPS) GBP} = \frac{\text{NET PROFIT}}{\text{WEIGHTED AVERAGE NO OF SHARES (BASIC)}}$$

| YEAR | CALCULATION                   | FIGURE                    |
|------|-------------------------------|---------------------------|
| 2020 | $\frac{121.6}{409.0} = 0.297$ | 0.3 GBP<br>equal to 29.7p |
| 2019 | $\frac{339.1}{415.1} = 0.817$ | 0.8 GBP<br>equal to 81.7p |

FIGURE 10. DIVIDEND COVER

FORMULA:

$$\text{DIVIDEND COVER} = \frac{\text{NET PROFIT}}{\text{DIVIDENDS PAID TO SHAREHOLDERS}}$$

| YEAR | CALCULATION                   | FIGURE  |
|------|-------------------------------|---------|
| 2020 | $\frac{121.6}{175.2} = 0.694$ | 0.694 X |
| 2019 | $\frac{339.1}{171.1} = 1.982$ | 1.982 X |

FIGURE 11. DIVIDENDS PER SHARE (DPS)

FORMULA:

$$\text{DPS (GBP)} = \frac{\text{DIVIDENDS PAID TO SHAREHOLDERS}}{\text{WEIGHTED AVERAGE NO OF SHARES (BASIC)}}$$

| YEAR | CALCULATION                    | FIGURE                      |
|------|--------------------------------|-----------------------------|
| 2020 | $\frac{175.2}{409.0} = 0.4284$ | 0.43 GBP<br>equal to 42.84p |
| 2019 | $\frac{171.1}{415.1} = 0.4122$ | 0.41 GBP<br>equal to 41.22p |

FIGURE 12. DIVIDEND PAYOUT

FORMULA:

$$\text{DIVIDEND PAYOUT (\%)} = \frac{\text{DIVIDEND PAID TO SHAREHOLDERS}}{\text{NET PROFIT}} \times 100$$

| YEAR | CALCULATION                                | FIGURE  |
|------|--|---------|
| 2020 | $\frac{175.2}{121.6} \times 100 = 144.079$ | 144.1 % |
| 2019 | $\frac{171.1}{339.1} \times 100 = 50.457$  | 50.5 %  |

FIGURE 13. DIVIDEND YIELD

FORMULA:

$$\text{DIVIDEND YIELD (\%)} = \frac{\text{DPS}}{\text{CURRENT MARKET SHARE PRICE}} \times 100$$

| YEAR | CALCULATION                                | FIGURE |
|------|--|--------|
| 2020 | $\frac{42.84}{1,463.5} \times 100 = 2.927$ | 2.93 % |
| 2019 | $\frac{41.22}{1,463.5} \times 100 = 2.817$ | 2.82 % |

FIGURE 14. PRICE/EARNINGS (P/E)

FORMULA:

$$\text{P/E (X)} = \frac{\text{CURRENT MARKET SHARE PRICE}}{\text{EARNINGS PER SHARE}}$$

| YEAR | CALCULATION                     | FIGURE |
|------|---------------------------------|--------|
| 2020 | $\frac{1,463.5}{29.7} = 49.276$ | 49.3 X |
| 2019 | $\frac{1,463.5}{81.7} = 17.913$ | 17.9 X |

# SUMMARY

|                      | 2020                                       | 2019    |
|----------------------|--|---------|
| <b>PROFITABILITY</b> |  |         |
| Gross Profit Margin  | 64.77%                                     | 68.41%  |
| Net Profit Margin    | 4.62% <span style="color: red;">■</span>   | 12.45%  |
| ROCE                 | 7.37% <span style="color: red;">■</span>   | 25.84%  |
| ROE                  | 10% <span style="color: red;">■</span>     | 23.23%  |
| <b>LIQUIDITY</b>     |  |         |
| Current Ratio        | 2.3:1                                      | 2.5:1   |
| Acid Test            | 1.7:1                                      | 1.8:1   |
| <b>GEARING</b>       |  |         |
| Debt/Equity          | 1.7:1 <span style="color: red;">■</span>   | 0.6:1   |
| Interest Cover       | 9.34 X <span style="color: red;">■</span>  | 128.6 X |
| <b>INVESTMENT</b>    |  |         |
| EPS                  | 29.7p <span style="color: red;">■</span>   | 81.7p   |
| Dividend Cover       | 0.694 X <span style="color: red;">■</span> | 1.982 X |
| DPS                  | 42.84p                                     | 41.22p  |
| Dividend Payout      | 144% <span style="color: red;">■</span>    | 50.5%   |
| Dividend Yield       | 2.93%                                      | 2.82 %  |
| Price/Earnings       | 49.3 X <span style="color: red;">■</span>  | 17.9 X  |

■ Marks a figures that have changed over 47 per cent in comparison to the previous fiscal year

# QUICK SHARE PRICE OVERVIEW

■ Burberry Group (LSE) Open: 1,653 | High: 1,735 | Low: 1,653 | Close: 1,735



Over the last two years (starting with the fiscal year ending in 2018 march) the share price did not experience a sharp decline, although in 2020 at the end of January it had a rapid decline due to the COVID-19 outbreak.

To start with, the share price peaked at GBX 2,092 in the half-way of FY 2019. However, it was slightly declining afterwards and then it did not have any major ups or downs.

In the FY 2020 starting from 2019 June up until the 2020 January, the share price showed significant results. It had recovered and reached another peak of GBX 2,215 during this period.

Although, the movement of the stock, as showed in the share price chart above shows a sharp downward trend from 14th January 2020. The share price dropped 30 per cent, to the price of GBX 1,472.

Lastly, the current share price movements show that the stock started showing a positive trend. Accordingly, it might be expected that in the FY 2021 the share price will recover.

Coursework submission sheet  
Academic Year

|                            |   |
|----------------------------|---|
| Programme                  | Fashion Business  |
| Unit                       | Finance & Management Control  |
| Term                       | 3   |
| Teachers                   | Abdullah Abo Milhim   |
| Name and Surname           | Diana Charcenko   |
| Student Number             | 043803  |
| Deadline of the submission | Time: 17:00 Date: 22/06/2020  |
| Signature                  |  |

\*\*\*Late submission will be penalised\*\*\*

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By sending this message I certify that I have read and that I understand the regulations of The University regarding plagiarism and unauthorized collusion.

I understand that all of the assignments submitted by me in the course of this module should be work written by me, and that they should clearly cite and reference each and every source that was used in their development. Where I use the actual words of a source, I must put those words inside quotation marks. I understand that the inclusion of a quotation in my answer only adds academic value if I discuss or analyse it, or compare or contrast it with other materials.

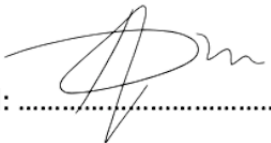
I understand that submitting materials, or parts of materials, that were not created by me, without clear citation of the source, constitutes academic plagiarism and is a punishable act of academic fraud.

I have read and I understand the explanation of how to cite and reference my sources which is available at per the student handbook and guideline of references.

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I understand that I might be asked to explain close similarities between work submitted by me and work created by others, or to explain considerable changes in my usual writing style. I understand that failure to provide a convincing explanation to these will be taken as evidence that the said work was not created by me.

I understand and agree that my work may be checked using automated software systems which will detect similarities with other work.

Signed:  Date: 22/06/2020