

From: Lesley Groff <[REDACTED]>
To: Jeffrey Epstein <[REDACTED]>
Subject: Fwd: (Reuters)Burberry PLC note/Livermore
Date: Wed, 10 May 2017 09:05:05 +0000

Sent from my iPhone

Begin forwarded message:

From: [REDACTED]
Date: May 9, 2017 at 8:53:01 PM EDT
To: David Neuhauser <[REDACTED]>
Subject: (Reuters)Burberry PLC note/Livermore

To Partners:

Below is a link to a note from Reuters Breakingviews column out today on Livermore and Burberry PLC.

<https://www.breakingviews.com/considered-view/burberry-looks-better-without-boardroom-wrinkles/>

With Regards,

Livermore Partners
www.livermorepartners.com

Burberry looks better without boardroom wrinkles

In two months, designer Christopher Bailey will be replaced as CEO but keep outside influence and a board seat. That might be tolerable were Burberry performing better. Now, it's clear new boss Marco Gobbetti needs a free hand. Bailey has a role, but ideally a lesser one.

9 May 2017 By Carol Ryan

Burberry still has time to iron out an unsightly governance wrinkle. In two months Christopher Bailey will stand down as chief executive to make room for former Celine boss Marco Gobbetti – but retain his board seat and direct line to the chairman. That might be tolerable were Burberry performing better. Now, it's clear the new boss needs a free hand. Bailey has a role, but ideally a lesser one.

Until Gobbetti arrives, Bailey is both chief executive and head designer. During his three-year tenure as CEO, Burberry returned 5 percent annually to shareholders, making it the third-worst performer among a selection of 10 European luxury stocks. Operating margins have also declined.

Weighing up Bailey's design ability is more subjective, but revenue gives a good sense of demand for the brand. Burberry sales have slowed relative to the likes of Gucci and Yves Saint Laurent. When Gucci is

reporting 48 percent comparable revenue growth year-on-year in the first quarter, Burberry's 1 percent dip in total underlying revenue over six months to the end of March can't just be blamed on a sluggish luxury sector.

Bailey has been pivotal in Burberry's development since joining in 2001, and is the brains behind its impressive digital strategy. But the proposed setup is otherwise difficult to justify. A newly created president title means Bailey will keep his seat on the Burberry board. This is the kind of perk normally only granted to designers that are also brands' founders, such as Miuccia Prada or Ralph Lauren. Unusually, both Bailey and Gobbetti will report directly into Chairman John Peace. Even at Gucci owner Kering, which prizes strong CEO-designer partnerships, chief executives ultimately call the shots.

Listed luxury brands can get away with governance quirks when the founding family is a majority shareholder. Take LVMH and Kering, where the chief executive and chairman roles remain unfashionably combined. Unconventional governance might also be okay when the company is performing strongly.

Burberry has no such excuse. Its shareholders, particularly activists GBL and U.S. hedge fund Livermore Partners, have legitimate grounds to grumble about the brand's odd executive twinset. With Gobbetti not starting until early July, there's still time to design a better-looking alternative.

Context News

British luxury brand Burberry said on July 11 2016 that Marco Gobbetti, previously chairman and chief executive of French luxury brand Celine, will succeed Christopher Bailey as chief executive in July 2017.

Bailey, who holds the dual role of chief executive and chief creative officer, will retain his creative role and also take the title of president.

Burberry on April 19 said total revenue in the six months to March 31 fell 1 percent on an underlying basis. Kering, the French owner of luxury brands including Gucci and Yves Saint Laurent, said on April 25 that first-quarter comparable sales increased 28.6 percent from a year earlier.

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