MYER

ASX & MEDIA RELEASE

12 September 2018

Full Year 2018 Results and Refinancing

Myer Holdings Limited (MYR) today announced its financial results for the 52 weeks to 28 July 2018 reporting Net Profit After Tax (NPAT) of $32.5 million before implementation costs and individually significant items.

Myer Chairman, Garry Hounsell, said: “The FY2018 financial results are disappointing. When it became apparent to the Board that the execution of the strategy was not going to deliver an improved financial performance, we made the decisive move to make significant leadership changes.”

“Following a global search, we appointed a highly experienced new leadership team, including John King as Chief Executive Officer and Managing Director in June 2018, Allan Winstanley as the Chief Merchandise Officer in June 2018, and Nigel Chadwick as Chief Financial Officer in January 2018.

“With these appointments, Myer bolstered its global retail and financial expertise, bringing best-in-class experience with highly relevant retail, merchandising and financial skills,” Mr Hounsell said.

Full Year 2018 Results (compared to last year)

- Total sales declined by 3.2% to $3,100.6 million, and were down 2.7% on a comparable store basis
- Total online sales were $239.4 million (including $30.8 million via in-store iPads, sass & bide and Marcs and David Lawrence (MDL) online sales and Myer Market)
- Operating gross profit (OGP) declined by 2.9% to $1,184.4 million and OGP margin increased by 8 basis points to 38.2%
- Cost of Doing Business (CODB) increased by 1.5% to $1,035.0 million. Excluding MDL, CODB declined by 1.1%
- NPAT pre-implementation costs and individually significant items decreased by 52.2% to $32.5 million
- Implementation costs and individually significant items totalled $541.2 million (pre-tax) of which $538.2 million (pre-tax) were recorded as part of the first half results
- Statutory FY2018 NPAT was a loss of $486.0 million
- No final dividend will be paid
- Operating cash flow (before interest and tax) of $131 million with cash conversion at 97% and capex down to $87 million
- Positive net cash flow of $6 million resulted in lower net debt of $107 million
- Inventory was down by 1.5% to $366.8 million

Second Half 2018 Results

During the second half, sales were down 2.6% to $1,380.9 million. Comparable store sales were down 2.4%. Operating gross profit was $539.0 million, which represented an improvement on last year. Operating gross profit margin improved by 109 basis points to 39.0% in the second half compared to the previous corresponding period.

Myer Chief Financial Officer, Nigel Chadwick, said: "Despite the continued challenging retail conditions, the second half performance showed some improvement on the first half, as evidenced by the improved operating gross profit margin and lower net debt despite the fall in EBITDA."

Dividend

Myer Chairman, Garry Hounsell, said: "In line with our previous rationale for suspending the dividend, the Board has decided that no final dividend will be paid. The Board will continue to consider a range of factors in determining the payment and quantum of dividends."

Debt Refinancing

Mr Chadwick said: "The improved net cash flow and lower net debt at the end of the period demonstrates capital discipline despite the subdued underlying trading performance."

The Company also announced that it had signed a binding term sheet with its existing lenders to refinance its bank facility, extending the maturity until February 2021. This will provide a stable platform for the next 2.5 years whilst management work to improve the financial performance.

The terms of the new secured facility initially provides core and working capital tranches totalling $400 million, creating ample liquidity, and relaxed covenant conditions with Fixed Charges Cover Ratio of 1.4 times and minimum Shareholders' Equity of $400 million. The Fixed Charges Cover Ratio covenant will step up to 1.45 times after six months, then 1.5 times after 18 months. Myer will also be required to meet a Fixed Charges Cover Ratio of at least 1.65 times prior to paying dividends. As at the end of FY2018, the Fixed Charges Cover Ratio was 1.59 times.

Myer Chief Executive Officer Update

Myer Chief Executive Officer and Managing Director, John King, said: "These results are obviously disappointing and shareholders deserve better."

"Since joining Myer in June 2018, I have completed a thorough review of the business, including visiting 44 stores and have met with customers, team members, suppliers, brand partners and landlords.

"Our plan is to put our customers first in everything we do. We are refocusing our efforts on marketing and our product offering. We know our customers want high quality, on trend products, at the right price, supported by great customer service.

"With this customer in mind, we are making changes to our product ranges, store layouts, and online offering and we have worked to influence how we will trade Christmas 2018.

"Later this month, we will launch our new Myer website, which will significantly enhance the overall user experience, in particular on mobile devices, with improved and faster search capability, clearer filtering and navigation, improved presentation of merchandise and clearer, more engaging brand and editorial journeys.

"Elsewhere in the business, we have reduced costs that do not directly benefit the customer or enhance their experience in store or online. This includes removing a number of executive and management roles to put in place a more streamlined and accountable structure at the Support Office that is more closely aligned with our customers," Mr King said.

Mr King also outlined his Customer First Plan: "We will be working closely with our suppliers and brand partners to put customers first - in every action we take, and every decision we make."

"We are committed to ensuring Myer is Australia's favourite department store providing friendly, helpful service; high quality and exclusive brands; and offering compelling value," Mr King said.

The Customer First plan for Myer is as follows:

Focus areas:

- Transform customer experience in store;
- 'Only at Myer' brands and categories; value for money; and
- Continue enhancing myer.com.au.

Efficiency levers:

- Simplified business processes;
- Efficient from factory to customer; and
- Accelerated cost reduction.

"We will be focused on delivery and execution, not promises.

"I am confident that with the successful execution of this plan, we will improve the performance of the business and deliver shareholder value," Mr King said.

ends

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Myer shares are traded on the Australian Securities Exchange (MYR). Myer has a Sponsored Level I American Depository Receipt program which trades in the United States on OTC Markets (MYRSY).

The financial information provided includes non-IFRS information which have not been audited or reviewed in accordance with Australian Accounting Standards but are based on the Annual Financial Report (Appendix 4E).

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Myer Holdings Limited ABN 14 119 085 602
Level 7, 800 Collins Street, Docklands, VIC 3008

Table 1: Profit & Loss Statement for the 52 weeks to 28 July 2018

	FY2018 $m	FY2017 $m	Change vs. LY ($m)	Change vs. LY (%)
Total Sales	**3,100.6**	**3,201.9**	(101.3)	(3.2%)
Concessions	**654.0**	**701.7**	(47.7)	(6.8%)
Myer Exclusive Brands	**517.2**	**546.8**	(29.6)	(5.4%)
National Brands and other	**1,929.4**	**1,953.4**	(24.0)	(1.2%)
Operating Gross Profit	**1,184.4**	**1,220.4**	(36.0)	(2.9%)
Operating Gross Profit margin	***38.20%***	***38.12%***		+8*bps*
Cost of Doing Business	**(1,035.0)**	**(1,019.8)**	15.2	1.5%
Cost of Doing Business/Sales	***33.38%***	***31.85%***		*+153bps*
Share of Associates	**-**	**(2.5)**	(2.5)	
EBITDA*	**149.4**	**198.1**	**(48.7)**	**(24.6%)**
*EBITDA margin**	***4.82%***	***6.19%***		*-137bps*
Depreciation and amortisation	**(94.0)**	**(91.5)**	2.5	2.7%
EBIT*	**55.4**	**106.6**	**(51.2)**	**(48.0%)**
*EBIT margin**	***1.79%***	***3.33%***		*-154bps*
Net Finance Costs	**(9.0)**	**(10.8)**	(1.8)	(16.7%)
Net Profit Before Tax*	**46.4**	**95.8**	**(49.4)**	**(51.6%)**
Tax*	**(13.9)**	**(27.9)**	(14.0)	(50.2%)
Net Profit After Tax (NPAT) (pre implementation costs and individually significant items)	**32.5**	**67.9**	**(35.4)**	**(52.2%)**
Implementation costs and individually significant items (post-tax)	**(518.5)**	**(56.0)**	**(462.5)**	
NPAT (post-implementation costs and individually significant items)	**(486.0)**	**11.9**	**(497.9)**	

* *Excluding implementation costs and individually significant items*

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Table 2: Balance Sheet as at 28 July 2018

	July 2018	July 2017
	$m	**$m**
Inventory	367	372
Other Assets	35	30
Less Creditors	(381)	(380)
Less Other Liabilities	(239)	(282)
Property	23	24
Fixed Assets	401	436
Intangibles	485	986
Total Funds Employed	**691**	**1,186**
Comprising of:		
Debt	(149)	(143)
Less Cash	42	30
Net (Debt) / Cash	**(107)**	**(113)**
Equity	**584**	**1,073**

Table 3: Cash flow for the 52 weeks to 28 July 2018

	FY2018	FY2017
	$m	**$m**
EBITDA*	135	183
Working capital movement	(4)	4
Operating cash flow (before interest and tax)	**131**	**187**
Conversion	*97%*	*102%*
Tax paid	(13)	(28)
Interest paid	(9)	(10)
Operating cash flow	**109**	**149**
Capex paid / acquisitions**	(87)	(110)
Free cash flow before dividends	**22**	**39**
Dividends	(16)	(49)
Net cash flow	**6**	**(10)**

* *EBITDA includes implementation costs and individually significant items with the exception of non-cash asset impairments*

** *Net of landlord contributions*

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Table 4: Other Statistics and Financial Ratios

	FY2018	FY2017
Return on Total Funds Employed*	5.9%**	8.9%
Gearing	15.5%**	9.5%
Net Debt/EBITDA*	0.72x	0.58x

**Calculated on a rolling 12 months basis*

***ROFE 4.7% and Gearing 9.0% if goodwill and brand impairment is excluded from Total Funds Employed*

Table 5: Shares and Dividends

	FY2018	FY2017
Shares on Issue	821.3 million	821.3 million
Basic EPS*	4.0 cents	8.3 cents
Dividend per share	Nil	5.0 cents

** Calculated on weighted average number of shares of 821.3 million (FY2017: 821.3 million) and based on NPAT pre-implementation costs and individually significant items*

Table 6: Debt Covenants

Covenant	Covenant	July FY18	July FY17
Leverage	≤2.5 x	0.72 x	0.58 x
Fixed Charges Cover	≥1.5 x	1.59 x	1.79 x
Minimum Shareholder Funds	≥$500m	$584m	$1,073m

*Leverage Ratio = (Gross Debt (excluding capitalised borrowing costs) less Cash)/EBITDA**

Fixed Charges Cover (FCC) Ratio = (EBITDA + Rent) / (Interest + Rent)*

Minimum Shareholders Funds = Total Shareholders' Funds as reported on the Balance Sheet

** Excluding implementation costs and individually significant items*

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12 SEPTEMBER 2018

MYER ANNUAL RESULTS

TO 28 JULY 2018

JOHN KING
CHIEF EXECUTIVE OFFICER

NIGEL CHADWICK
CHIEF FINANCIAL OFFICER

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FY2018 Results

- FY2018 Results:
  - Total sales down 3.2% to $3,100.6 million, total online sales of $239.4 million*
  - Operating gross profit margin up 8bps to 38.2%
  - CODB up 1.5% to $1,035.0 million, down 1.1% adjusted for Marcs & David Lawrence (MDL)
  - NPAT $32.5 million (excluding implementation costs and individually significant items)
- CEO focus areas in first 100 days:
  - Store visits speaking to customers and team members
  - Meeting with suppliers, brand partners and landlords
  - Review of product ranges, store layouts and space requirements
  - Review of operating model, accountabilities and operating cycles
- Cost reduction opportunities identified and in process including management restructure
- Successful refinancing provides stable platform
- No final dividend will be paid

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** Including Myer online sales of $192.5 million, sales by team members on in-store iPads of $30.8 million, sass & bide and MDL online sales and Myer Market*

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FY2018 results

- Subdued sales partly offset by continued growth in online sales
  - Comparable sales down 2.7% (1H -3.0%, 2H -2.4%)
  - Sales/m² (rolling 12 months basis) down 1.2% to $4,006/m²
- Increased costs reflect full year of MDL
- NPAT of $32.5 million (pre implementation costs and individually significant items)
- 1H FY2018 implementation costs and other individually significant items including non cash impairments, totalling $516.3 million (post-tax), with a further $2.2 million (post-tax) in 2H FY2018

$ MILLIONS	FY2018	FY2017	CHANGE
Sales	3,100.6	3,201.9	(3.2%)
OGP	1,184.4	1,220.4	(2.9%)
OGP margin (%)	38.20	38.12	+8bps
CODB	(1,035.0)	(1,019.8)	1.5%
CODB margin (%)	33.38	31.85	+153bps
EBITDA*	149.4	198.1	(24.6%)
EBIT*	55.4	106.6	(48.0%)
Reported EBIT	(485.8)	41.0	nm**
NPAT*	32.5	67.9	(52.2%)
Reported NPAT	(486.0)	11.9	nm**

**Excluding implementation costs and individually significant items. Reconciliation on slide 19*

*** Not meaningful*

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Online performance reflects focus on profitability

- Total online sales of $239.4 million comprising:
  - Online sales which increased by 34.1% to $192.5 million
  - Sales by team members on in-store iPads of $30.8 million
  - Online sales for sass & bide, MDL and Myer Market
- Total online sales represents 7.7% of total sales
- Myer's Click & Collect increased by 713 basis points to 19.3% of orders
- Slowdown in top-line growth in Q4 reflects focus on bottom line profitability
- Product Enrichment Portal rolled out to 182 suppliers, significantly improving speed of loading products
- Total visits increased by 14% to 82.5 million* in FY2018
- New website to be launched progressively from September 2018

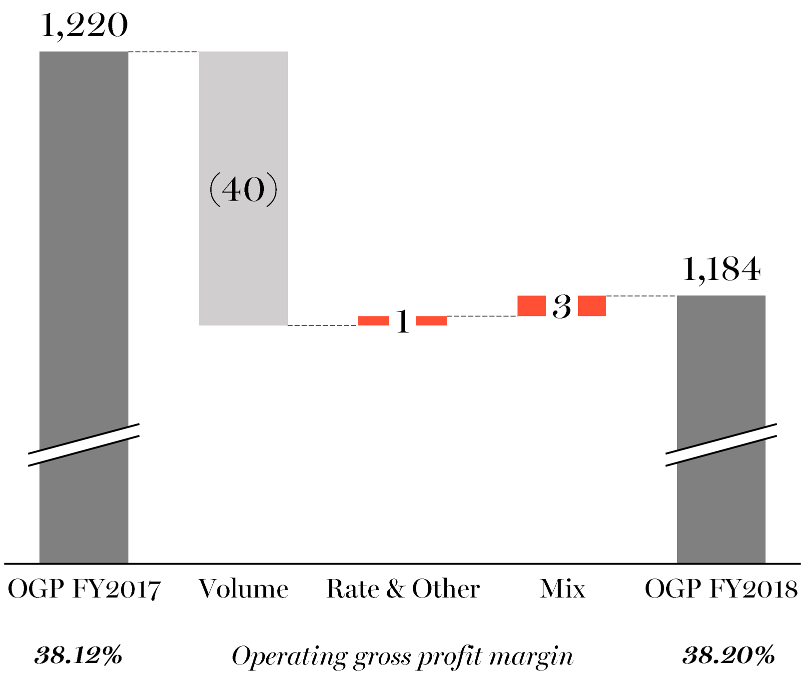
* Source: Coremetrics

Operating Gross Profit margin stable

- Operating gross profit impacted by 3.2% reduction in sales
- 8 bps improvement in rate driven by:
  - MEB sourcing benefits
  - Reduction in markdowns
  - Full year of MDL, post acquisition

  In part offset by:
  - lower supplier contributions from reduced purchases and shift in marketing focus, and higher costs of selling

Operating gross profit ($ millions)



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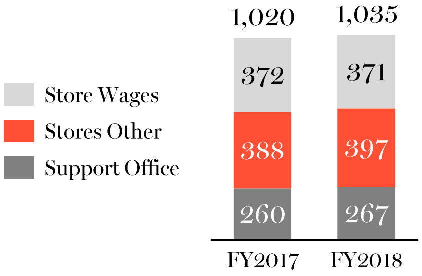
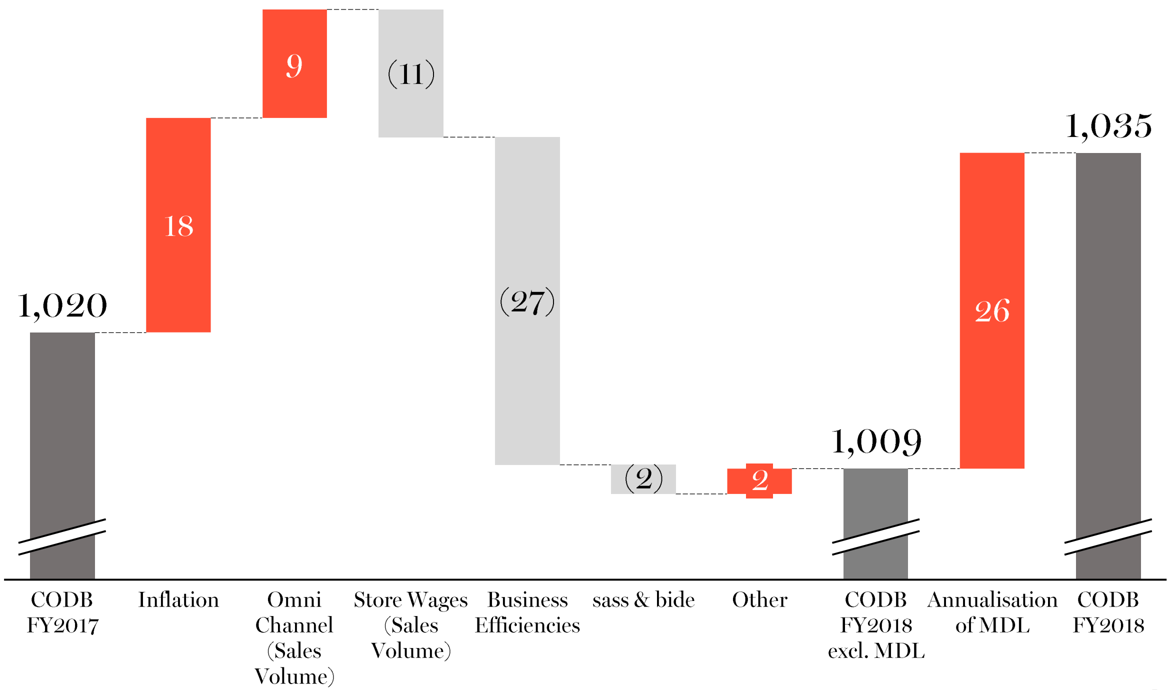
Cost reduction reflects ongoing focus on efficiencies

- Excluding MDL, CODB reduced by 1.1%
- Disciplined cost focus continues, reflected by business efficiencies including:
  - Back office efficiencies
  - Store rostering
  - Space reductions
  - Procurement savings

Myer Group Cost Structure



Cost of Doing Business ($ millions)



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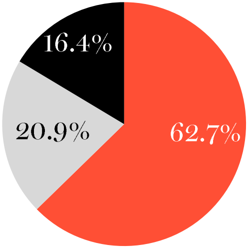
2H FY2018 compared to 1H FY2018

- Decline in comparable store sales and sales / m² slowed in 2H
- OGP margin reflects:
  - Product mix (increased MEBs)
  - Stabilised deal collect
- Capital discipline delivered solid operating cash flow despite lower trading performance

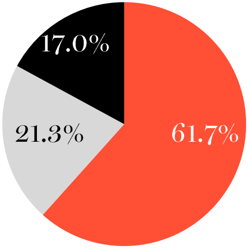
	1H2018	2H2018
Comparable Store Sales	(3.0%)	(2.4%)
Sales / m² movement*	(2.6%)	(1.2%)
Operating Gross Profit Margin	37.5%	39.0%
Operating Gross Profit Margin movement vs pcp	-73bps	+109bps
Operating Cash flow vs pcp $m	(30)	(10)

** calculated on a rolling 12 months basis using average selling leasable area (SLA)*

Sales Mix 1H 2018



Sales Mix 2H 2018



National Brands Concessions MEB's

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Focus on Cash

- Improvement in net cash flow of $16m (vs pcp) reflects reduction in CAPEX and dividends as earnings declined
- Disciplined working capital management continued:
  - Inventory reduction, down 1.5% to $366.8 million
  - Improvement in payables metrics

Offset by:

  - Utilisation of onerous lease provision for space hand back at head office (unfavourable movement)

$ MILLIONS	FY2018	FY2017
EBITDA*	135	183
Working capital movement	(4)	4
Operating cash flow (before interest & tax)	**131**	**187**
Conversion	97%	102%
Tax paid	(13)	(28)
Interest paid	(9)	(10)
Operating cash flow	**109**	**149**
Cash capex paid**	(87)	(97)
Acquisitions	-	(13)
Free cash flow before dividends	**22**	**39**
Dividends	(16)	(49)
Net cash flow	**6**	**(10)**

** EBITDA includes implementation costs and individually significant items, with the exception of non-cash asset impairments*
***Net of landlord contributions*

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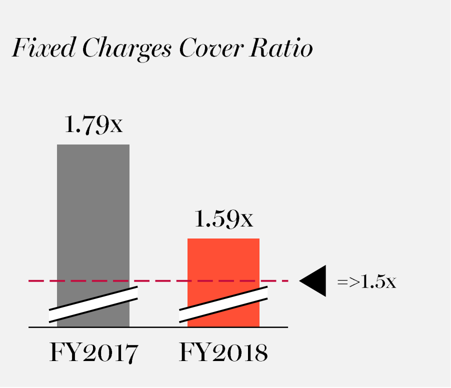
Net Debt Reduction and Covenant headroom

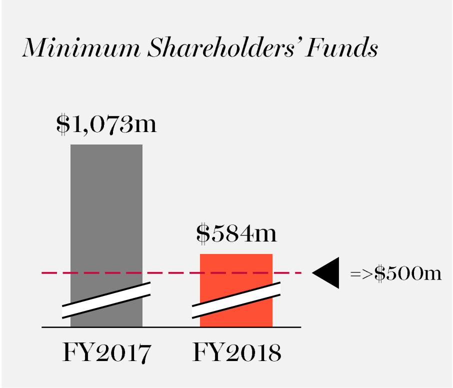
Net Debt

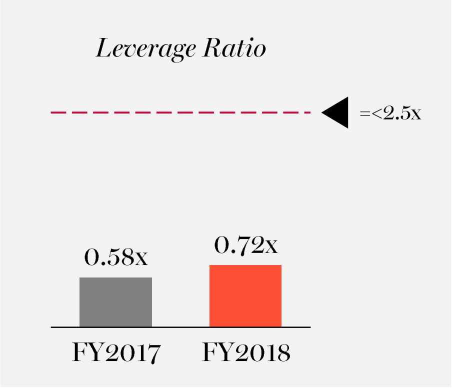
$ MILLIONS	FY2018	FY2017
Opening net debt	(113)	(102)
Closing net (debt) / cash	(107)	(113)

- Net debt of $107 million, down $6 million
- Headroom in current covenants
- Shareholders funds impacted by impairments

Debt Covenants







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------ Covenant

Refinancing Key Terms

- Completed with current syndicate which is fully supportive
- Meets Myer's business requirements and provides ample liquidity through seasonal cycle
- Stable platform whilst management works to improve the business
- Relaxed covenant conditions allows management flexibility to execute plans
- Dividend positioning reflects the Board's view of prudent capital management and plan to de-leverage

	NEW	OLD
Term	Expiring end February 2021 (2.5yrs)	Expiring August 2019
Facility Amount	\$400m	\$420m
Tranches	Core Term Loan \$100m (amortising \$10m per half year) Revolving w/c \$300m (stepping down to \$260m after 18 months)	Revolving credit facility
Covenants	FCCR ≥1.40x stepping up to ≥1.45x after 6 months and ≥1.50x after 18 months Net Leverage ≤2.25x Shareholder funds ≥\$400m	FCCR ≥1.50x Net Leverage ≤2.50x Shareholder funds ≥\$500m
Dividends	Dividends permitted when FCCR >1.65x	No restriction
Security	General Security	None

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Our Customer First Plan – Ensuring Myer is Australia's Favourite Department Store

Providing friendly helpful service, high quality and exclusive brands, and offering compelling value

Our Values

Customers Come First	Own Our Future	Do What's Right	One Inclusive Team

Our Priorities

Focus areas	Transform customer experience in store	'Only at Myer' brands and categories; value for money	Continue enhancing myer.com.au
Efficiency levers	Simplified business processes *'Work smarter'*	Efficient from factory to customer *'Move product at lowest total cost'*	Accelerated cost reduction *'Spend prudently'*

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Platform to deliver improvements

- Strengthened Executive Team and streamlined organisational structure
- 2H FY2018 showed some improvement on 1H FY2018
- Online continues to perform well, with focus shifting to improving profitability
- Disciplined approach to capital saw a reduction in net debt
- Successful extension of financing facilities provides solid platform

Initial impressions have confirmed substantial opportunities across all areas of the business

- First 100 days involved engagement with stakeholders and review of business model
- Focus on the customer and simplification of the business

Work underway to harness opportunities

- Cost out program commenced, further opportunities exist
- Prudent cash management will be a focus
- Delivering results not promises

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MYER ANNUAL RESULTS

TO 28 JULY 2018

JOHN KING
CHIEF EXECUTIVE OFFICER

NIGEL CHADWICK
CHIEF FINANCIAL OFFICER

Appendix: Individually significant items and implementation costs are largely non-cash adjustments announced at 1H2018

INDIVIDUALLY SIGNIFICANT ITEMS AND IMPLEMENTATION COSTS				
$ MILLIONS	FY2018		1H2018	
	PRE-TAX	POST-TAX	PRE-TAX	POST-TAX
Restructuring and redundancy costs	9.2	6.4	6.5	4.6
Store exit costs and other asset impairments	7.5	5.5	7.2	5.1
Subtotal Implementation Costs	**16.7**	**11.9**	**13.7**	**9.7**
Impairment of Myer goodwill and brand name	515.3	500.2	515.3	500.2
Other asset impairments	9.2	6.4	9.2	6.4
Subtotal Individually Significant Items	**524.5**	**506.6**	**524.5**	**506.6**
Total	**541.2**	**518.5**	**538.2**	**516.3**

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Appendix: Reconciliation with statutory accounts

$ MILLIONS	EBIT	INTEREST	TAX	NPAT
Statutory reported result	(485.8)	(9.0)	8.8	(486.0)
Add back: Implementation Costs and Individually Significant Items				
Restructuring and redundancy costs	9.2	-	(2.8)	6.4
Store exit costs and other asset impairments	7.5	-	(2.0)	5.5
Impairment of assets	524.5	-	(17.9)	506.6
UNDERLYING RESULT	55.4	(9.0)	(13.9)	32.5

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