# DAVID JONES LIMITED

## FULL YEAR (FY09) RESULTS

AUGUST 2008 – JULY 2009

Presenters:
Mark McInnes – Chief Executive
Stephen Goddard – Finance Director

## David Jones FY09 results presentation

1. **Full year (FY09) results**
2. David Jones has a proven performance track record
3. David Jones is poised for further growth

## Highlights

- Record FY profit result & dividend since 1995 listing
- 2H09 PAT* up 36.0% on LY
- FY10 PAT Guidance 0%-5% growth reaffirmed
- Poised for further growth

** Underlying PAT - removing profit from sale of Bourke St Home Store in 2H08*



## Financial Highlights

- Total Company PAT $156.5m
- Total Company 'PAT to Sales Ratio' up 140bp – FY09 7.9% vs FY08 6.5%
- Gross Profit Margin
  - up 50bp to 39.7% in 2H09
  - up 5bp to 39.6% for FY09
- CODB reduced by 90bp (30.3% FY09 vs 31.2% FY08)

## Financial Highlights

- Financial Services EBIT +7.5% with new sign-ups of DJs Amex cards significantly ahead of expectations
- Doncaster on track for Sales of $55m-$60m & EBIT of $7m-$8m in Year 1
- Inventory clean & 4.8% below LY – continued track record of strong inventory management

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## Financial Highlights

- 2H09 Dividend increased to 17cps
- FY09 Dividend increased to 28cps
- Continued track record of returning cash to shareholders despite difficult trading conditions

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## Profit Summary 2H09

| | 2H09 $m | 2H08 $m | Change % |
|---|---|---|---|
| Sales | 924.3 | 963.8 | - 4.1% |
| Gross Profit | 367.3 | 378.1 | |
| % to sales | 39.7% | 39.2% | + 50bp |
| Cost of Doing Business | (297.3) | (322.0) | |
| % to sales | 32.2% | 33.4% | - 120bp |
| - Department Stores EBIT | 70.0 | 56.1 | + 24.8% |
| - Financial Services EBIT | 21.5 | 20.0 | + 7.5% |
| EBIT - TOTAL | 91.6 | 76.2 | + 20.2% |
| % to sales | 9.9% | 7.9% | + 200bp |
| Net Interest Expense | (4.1) | (7.2) | - 42.8% |
| Profit before Tax | 87.5 | 69.0 | + 26.8% |
| Income Tax Expense | (22.1) | (20.9) | + 5.7% |
| Profit after Tax | 65.4 | 48.1 | + 36.0% |

** Underlying PAT - removing profit from sale of Bourke St Home Store in 2H08*

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## Profit Summary FY09

| | FY09 $m | FY08 $m | Change % |
|---|---|---|---|
| Sales | 1,985.5 | 2,098.0 | - 5.4% |
| Gross Profit | 786.1 | 829.8 | |
| % to sales | 39.6% | 39.5% | + 5bp |
| Cost of Doing Business | (601.8) | (655.2) | |
| % to sales | 30.3% | 31.2% | - 90bp |
| - Department Stores EBIT | 184.4 | 174.6 | + 5.6% |
| - Financial Services EBIT | 41.3 | 38.4 | + 7.5% |
| EBIT - TOTAL | 225.7 | 212.9 | + 6.0% |
| % to sales | 11.4% | 10.2% | + 120bp |
| Net Interest Expense | (8.2) | (15.5) | - 46.8% |
| Profit before Tax | 217.4 | 197.5 | + 10.1% |
| Income Tax Expense | (60.9) | (60.4) | + 0.8% |
| Profit after Tax | 156.5 | 137.1 | + 14.2% |
| % to sales | 7.9% | 6.5% | + 140bp |

** Underlying PAT - removing profit from sale of Bourke St Home Store in 2H08*

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## Gross Profit

- Gross Profit up 50bp in 2H09
- Gross Profit up 5bp for FY09
- Gross Profit at 39.6% within our long-term range of 39.5%-40% despite difficult trading environment
- Gross Profit performance a reflection of strength of our business model & supplier terms renegotiation
- Continue to build Gross Profit % as trading conditions improve and with growth of higher margin categories in new stores & refurbished stores

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## Cost of Doing Business

- FY09 CODB 30.3% – reduced by 90bp from FY08
- Proven track record in sustainably reducing CODB% each year since FY03
- 58 CODB programs for FY10-FY12 on track – still have CODB reductions in each year for FY10, FY11 & FY12

*Note: More detailed explanation of individual 4E cost lines shown in the Appendices*

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## Cash Flow

- Cash position is strong & balance sheet is in exceptional shape with gearing of 11.4%
- Long term ‘net’ debt less than $100m at end of FY09
- Continued strong free cash flow (after capex) of $125.8m (vs $128.3m LY)
- After ‘peak’ year of capex & paying $22m more dividends than LY, the Company still reduced debt by $16m



## Dividend

- 2H09 dividend of 17 cps (fully franked)
- FY09 dividend of 28 cps (fully franked) declared – payout ratio of 89.2%

## Outlook FY10

- Sales in first 8 weeks of FY10 better than expected
- Reaffirm 0%-5% PAT growth in FY10
- Stage 1 of Bourke St CBD store on track to open pre Christmas 2009
- Department stores are 'first in first out' of a downturn
- We are ready to leverage the up-cycle when it comes
- Poised for growth

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## David Jones FY09 results presentation

1. Full year (FY09) results
2. **David Jones has a proven performance track record**
3. David Jones is poised for further growth

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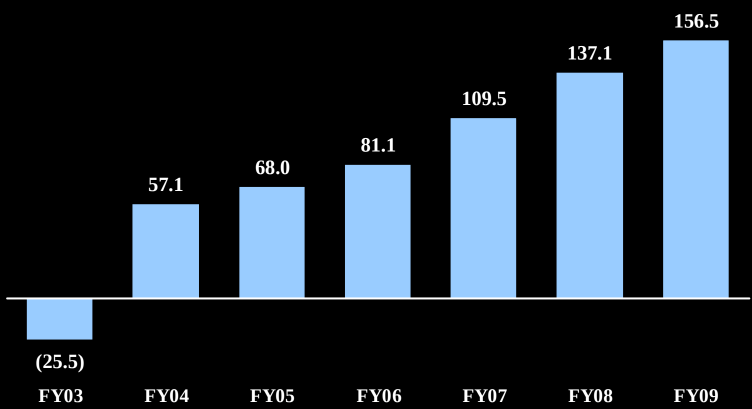
# Track record of profit growth

**Profit after tax**

$ Millions




Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY08 excludes profit from sale of the Bourke St Home Store.

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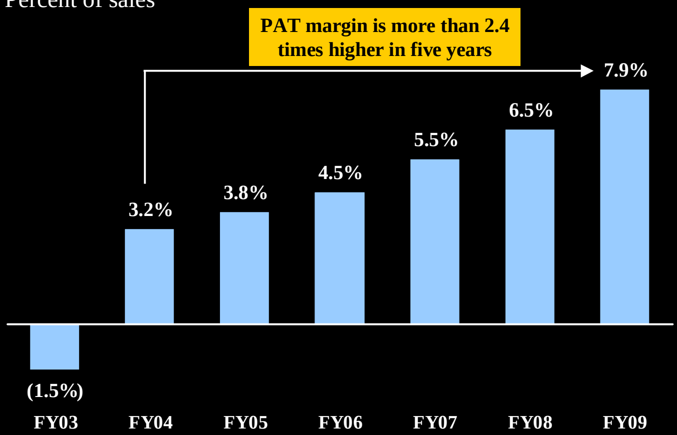
# PAT margin growth

**PAT margins**

Percent of sales




Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY08 excludes profit from sale of the Bourke St Home Store.

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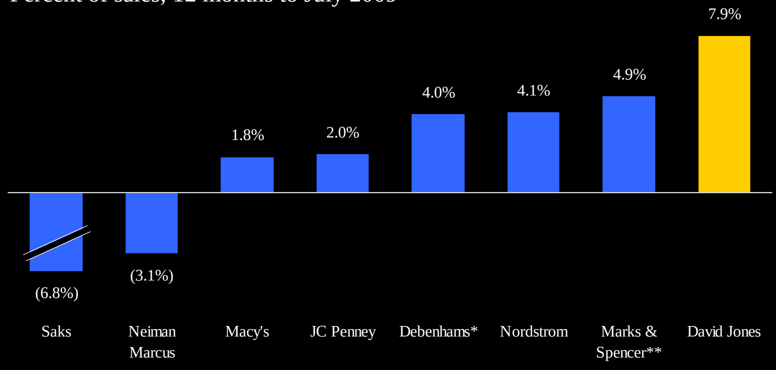
## Industry-leading PAT margins

**International department store PAT margins (before significant items)**

Percent of sales, 12 months to July 2009




* Debenhams result is for 12 months to February 2009

** Marks & Spencer result includes International and UK (food and general merchandise) and is for year ending March 2009

Source: Company results announcements; Port Jackson Partners analysis

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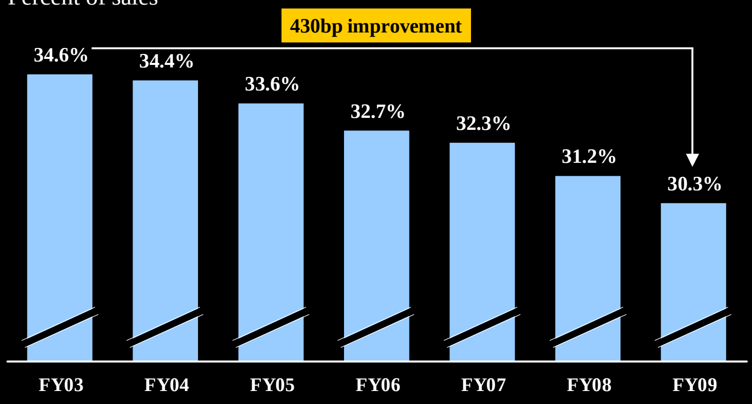
## Sustainable cost-efficiency culture

**Cost of doing business**

Percent of sales




Note: Adjusted for AIFRS and Sale & Leaseback impacts

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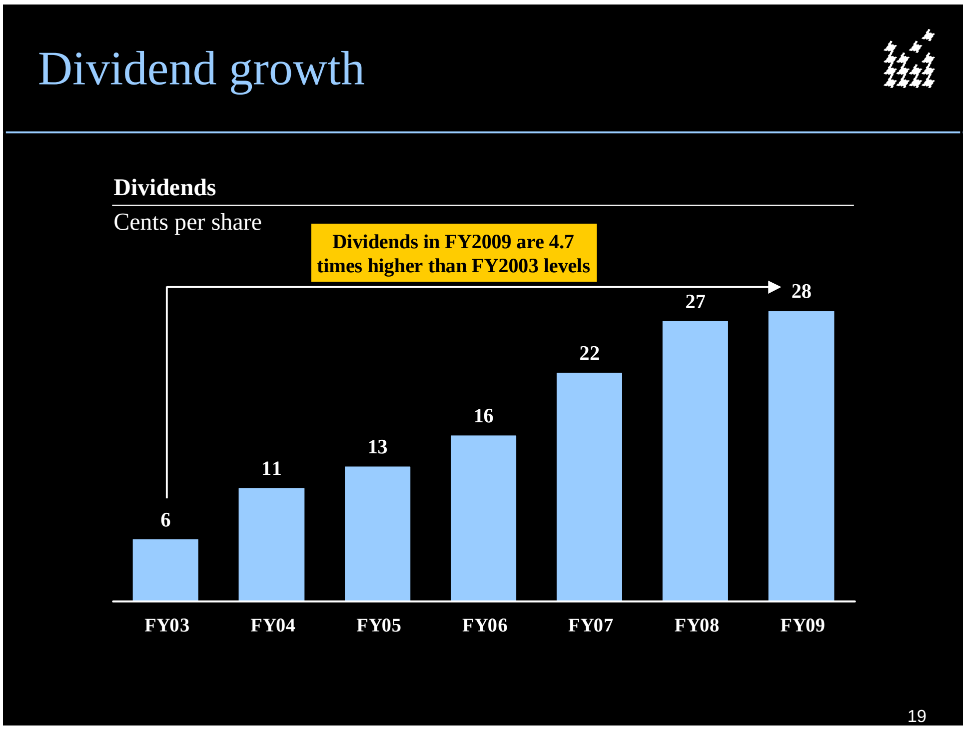
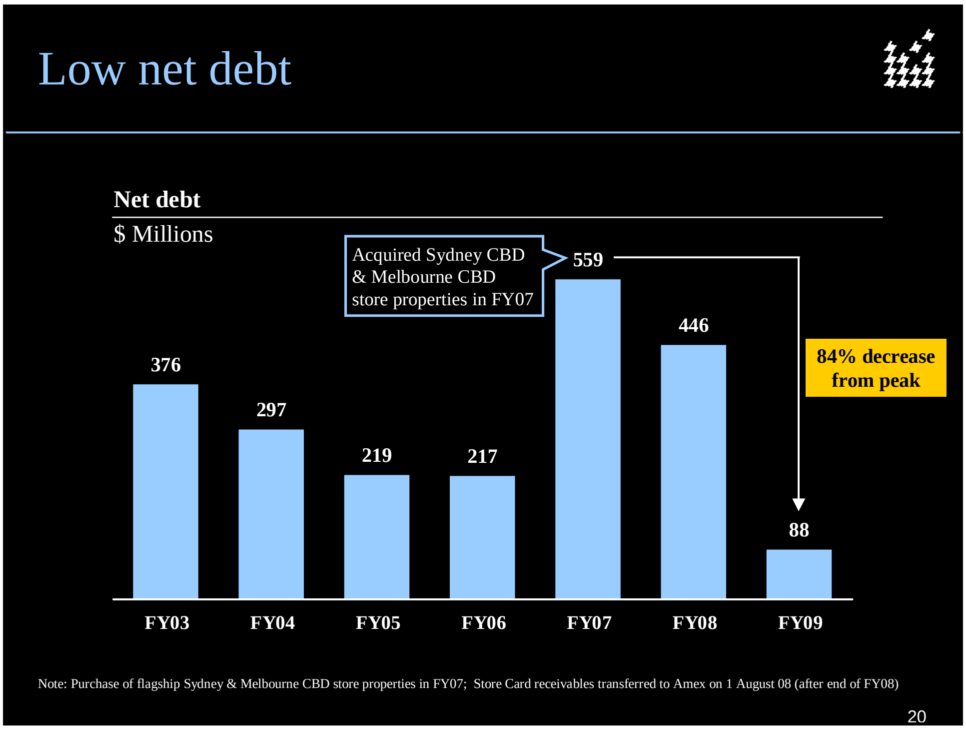

Dividend growth
Dividends
Cents per share
Dividends in FY2009 are 4.7 times higher than FY2003 levels
6
11
13
16
22
27
28
FY03
FY04
FY05
FY06
FY07
FY08
FY09
19


Low net debt
Net debt
$ Millions
Acquired Sydney CBD & Melbourne CBD store properties in FY07
376
297
219
217
559
446
88
84% decrease from peak
FY03
FY04
FY05
FY06
FY07
FY08
FY09
Note: Purchase of flagship Sydney & Melbourne CBD store properties in FY07; Store Card receivables transferred to Amex on 1 August 08 (after end of FY08)
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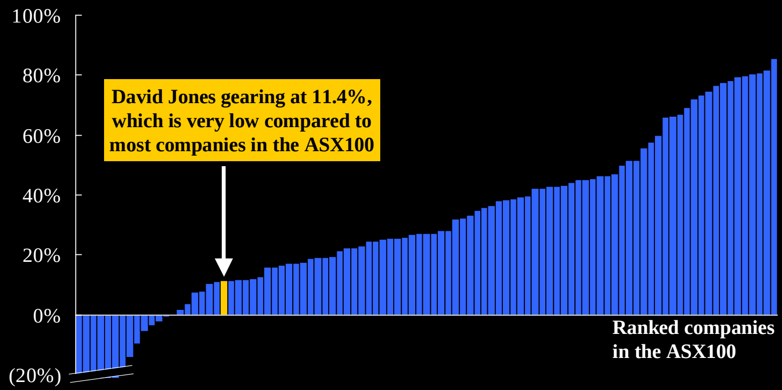
# Low risk balance sheet

**Gearing* of companies in the ASX100**

Percent




* Net debt over net debt plus book value of equity for latest reported figures as at 1 September 2009

Source: Bloomberg as at 1 September 2009; Port Jackson Partners analysis

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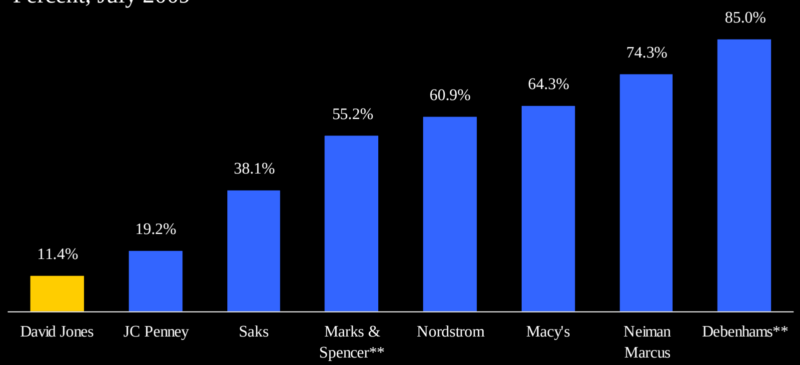
# Significantly lower gearing than international peers

**International department store gearing***

Percent, July 2009




* Net debt over net debt plus book value of equity

** Marks & Spencer result is for March 2009 and Debenhams result is for February 2009

Source: Company results announcements; Port Jackson Partners analysis

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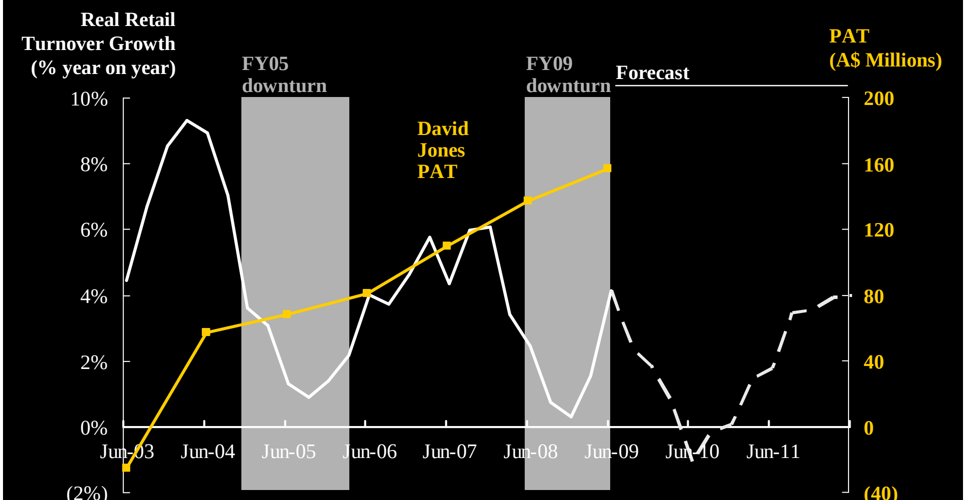
# Track record of profit growth through the cycle



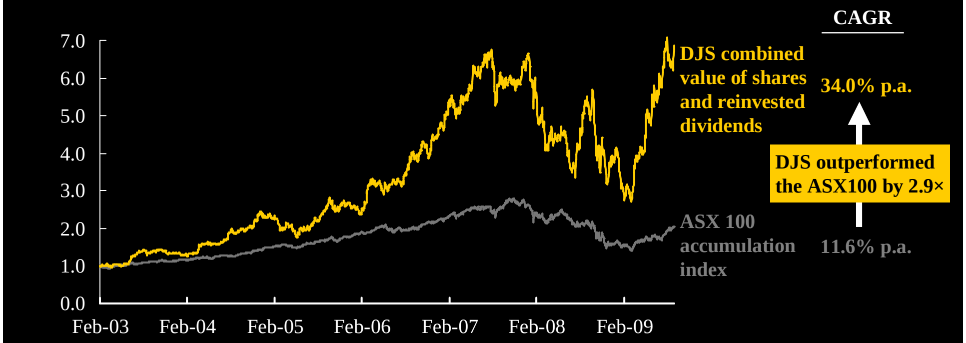

Note: AIFRS basis except FY2003 which is AGAAP. FY03 is after significant items, FY07 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY08 excludes profit from sale of the Bourke St Home Store.

Source: Access Economics; Company announcements



# David Jones has outperformed the ASX100 over the last six and a half years

**Value of $1 invested on 3 Feb 2003 to 1 September 2009**




| | 3 Feb 03 | 1 Jul 04 | 1 Jul 05 | 1 Jul 06 | 1 Jul 07 | 1 Jul 08 | |
|---|---|---|---|---|---|---|---|
| DJS | 34% | 32% | 34% | 25% | 2% | 75% | **TSR p.a. to** |
| ASX100 | 12% | 10% | 6% | 1% | (9%) | (5%) | **1 September 2009** |

Source: Bloomberg; Port Jackson Partners analysis

## David Jones' performance amongst the best in the ASX100

**David Jones' performance relative to the ASX100**

| Metric | | David Jones' performance | Position in ASX 100 | |
|---|---|---|---|---|
| **Dividends per share growth** | CAGR from FY03-FY08 | 35% p.a. | **Top 10%** | ✔ |
| **Total shareholder returns** | TSR over 5 years to 1 September 2009 | 29% p.a. | **Top 15%** | ✔ |
| **Earnings per share growth** | CAGR from FY03-FY08 | 25% p.a. | **Top 25%** | ✔ |

Source: Bloomberg as at 1 September 2009; Port Jackson Partners analysis

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## David Jones FY09 results presentation

1. Full year (FY09) results
2. David Jones has a proven performance track record
3. **David Jones is poised for further growth**

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## David Jones poised for further growth

1. Distinctive competitive positioning delivering enduring market share
2. Strong and low risk growth strategies:
   - Well positioned to leverage the up-cycle
   - New Stores and Major Rebuilds to deliver sales growth of ~15-25%
   - Financial Services business EBIT growth guidance of 7.5% p.a. for the next four years (currently $41.3m EBIT contribution)
3. Strong core department store fundamentals:
   - Sustainably improving Gross Profit margins
   - CODB reductions while maintaining customer service levels
   - Ownership of our flagship CBD stores providing strategic flexibility and a cost advantage of $30m rising to $61m over 20 years
4. Consistent and experienced management team with proven track record
5. Low risk business model

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1. Distinctive competitive positioning

## Distinctive competitive positioning

| | Comparison vs competitor | | |
|---|---|---|---|
| | **Superior** | **Competitive** | **Inferior** |
| **1 Best range of national and international brands** | ✔ | | |
| **2 Superior customer service** | ✔ | | |
| **3 Distinctive store ambience** | ✔ | | |
| **4 Stores well-located to target customer** | ✔ | | |
| **5 Strong brand** | ✔ | | |
| **6 Prices** | | ✔ | |

- **Superior overall shopping experience**
- **Greater overall customer satisfaction**
- **High customer loyalty**

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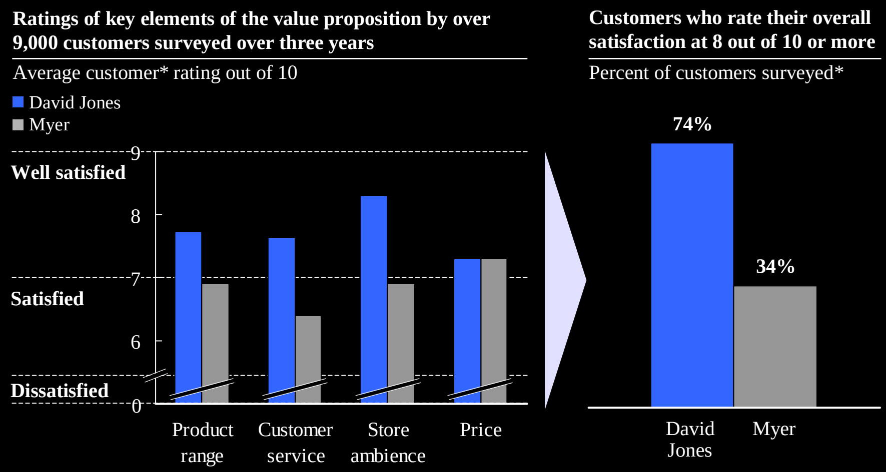
1. Distinctive competitive positioning

## David Jones rated as superior by our customers

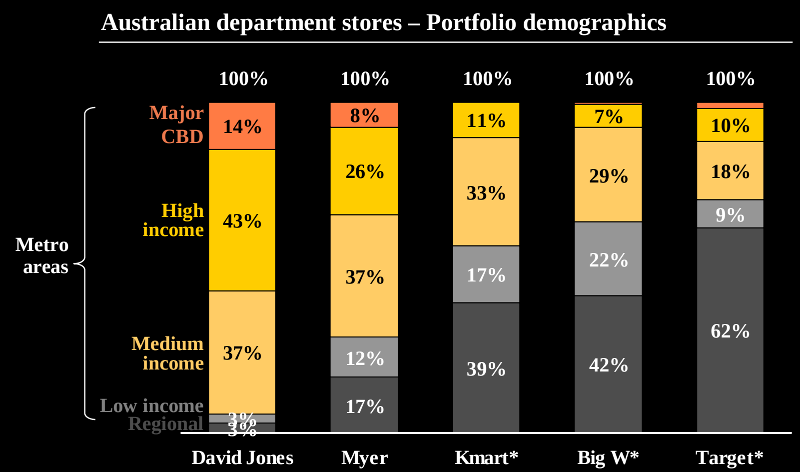



* Assessed by survey of over 9,000 customers over last three years
Source: The Leading Edge



1. Distinctive competitive positioning

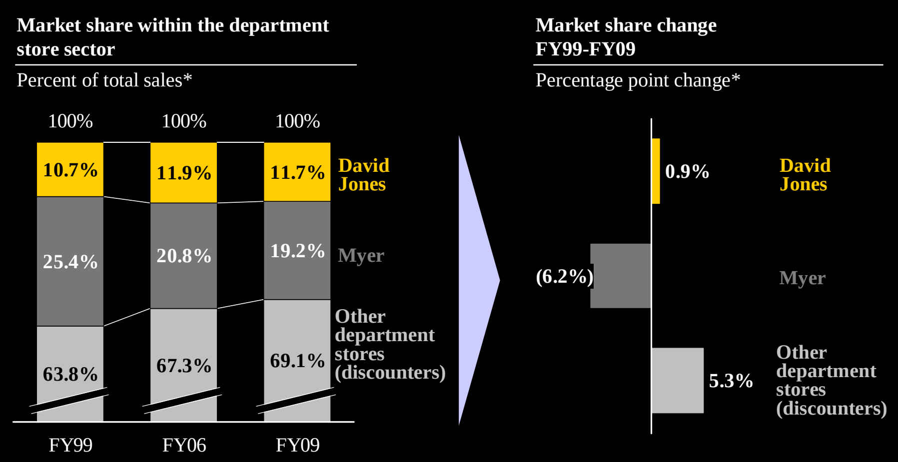
## Stores well-located to our customer base




* Kmart, Big W and Target stores as at early 2008
Source: Pitney Bowes MapInfo (2006 Census data); Port Jackson Partners analysis

1. Distinctive competitive positioning

## Enduring and resilient market share over the long-term




* Includes GST (FY06 and FY09) and wholesale sales tax (FY99); Myer's sales adjusted to remove the impact of Megamart and e.colesmyer in FY99 (estimated at $169m worth of sales inclusive of wholesale sales tax)

Source: Company financial reports and results presentations; ABS; Port Jackson Partners analysis

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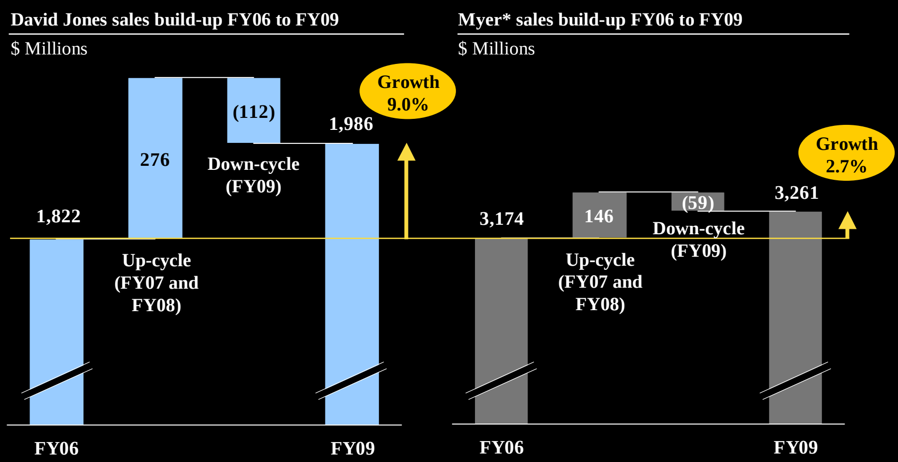
1. Distinctive competitive positioning

## Strong sales growth through the cycle, and the next cycle is up




* FY06 excludes impact of Myer's "History Making Clearance"

Source: Company sales and profit results announcements; Port Jackson Partners analysis

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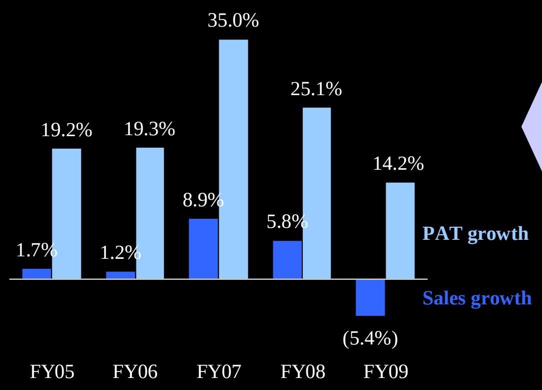
# Strong profit leverage in up-turn

**David Jones sales growth versus PAT growth**

Percent year-on-year growth




**David Jones has profit margin expansion leverage to the up-cycle:**

- ✔ Significant portion of costs are fixed, e.g., head office
- ✔ Gross margin management through the cycle

Source: Company reports

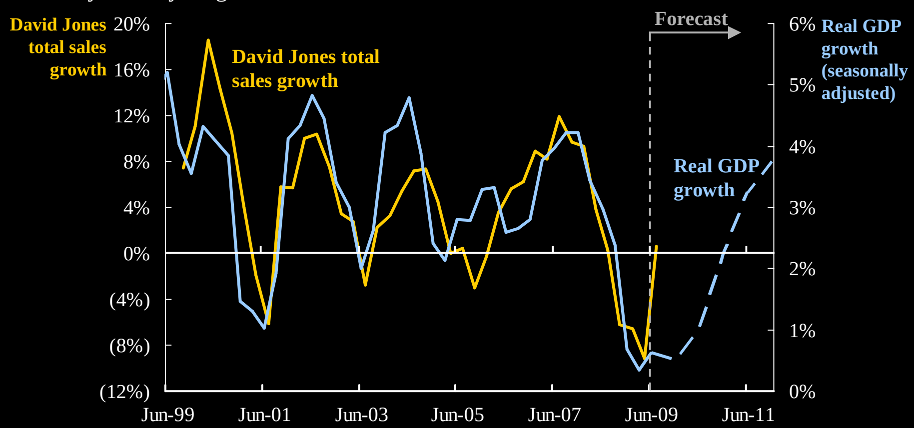




# David Jones to leverage the next up-cycle

**David Jones sales growth versus real GDP growth**

Percent year-on-year growth

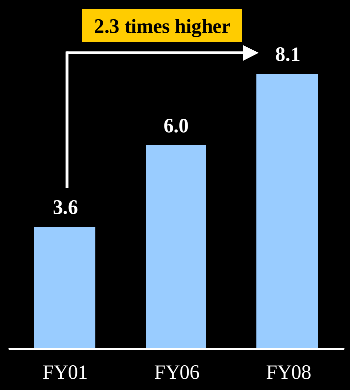



Source: ABS; David Jones results announcements; RBA Statement on Monetary Policy (August 2009)

# Large and growing target customer base

**Number of people living in households with disposable income above the 2008 average* (real terms)**

Millions of people




- David Jones' target customer has above average disposable income
- From 2001 to 2008, this group has grown by 4.5 million people, or by 2.3 times, to 8.1 million people
- From 2006 to 2008, this group has grown by over 2 million people
- Even if a 3% rise in unemployment was entirely from our target customer base, this group will still have grown by 1.8 million people from 2006 to 2008

* Includes people in households with disposable income of ~$41,700 and above

Source: ABS; Access Economics

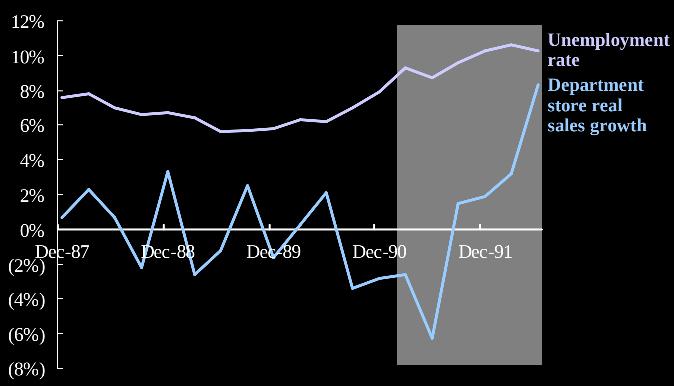




# High unemployment not an indicator of department store growth performance

**Department store sales growth versus unemployment rate**

Percent year-on-year growth; Percent unemployed




Source: ABS; Access Economics

# New stores and major rebuilds to grow sales by ~15-25%

**Four announced high value new stores**
- Sunshine Plaza (Sunshine Coast)
- Whitford (Perth)
- Macquarie (Sydney)
- Pacific Fair (Gold Coast)

**Up to four further high value new stores under negotiation**
- Four further stores in active negotiation

+

**Major rebuilds of two high value stores**
- Melbourne CBD – increasing sell space by ~30%
- Claremont (Perth) – almost double original size

+

**Seven high value store refurbishments completed or in progress**
- Completed refurbishments of Queens Plaza, Bondi Junction, Robina and Sydney CBD stores
- Refurbs of Castle Towers and Kotara stores underway

**3 – 5 further high value store refurbishments planned**
- Additional refurbishments of key suburban sites

- **New stores and major rebuilds will drive sales and sell space growth of ~15-25% over the medium term**
- **All new stores and rebuilds are high value**
  - **e.g., Doncaster worth ~$55-60m in sales and ~$7-8m in EBIT**
- **All refurbishments will provide a payback in 1-3 years**

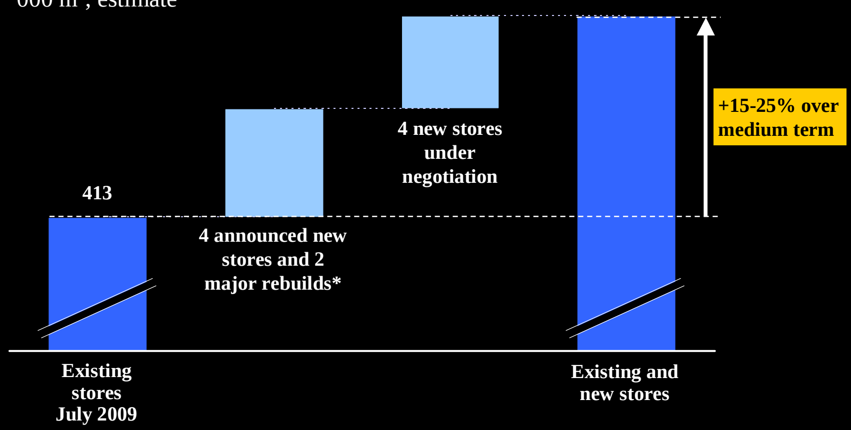




# New stores and major rebuilds to increase sales and sell space by ~15-25%

**David Jones sell space**

’000 m², estimate

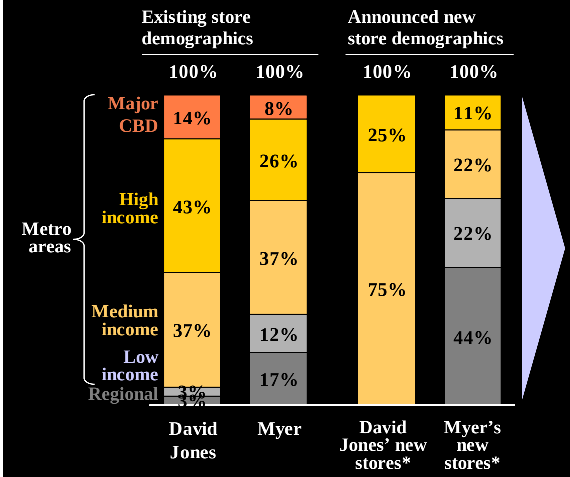



* David Jones’ announced new stores include Sunshine Plaza, Whitford, Macquarie and Pacific Fair. Major rebuilds include Melbourne CBD and Claremont

Source: Company announcements and press releases

2. Strong and low risk growth strategies – New stores and Major rebuilds

## New store strategy cements unique market position




- All of our new stores are high-value:
  - In high-income demographic areas
  - Within large catchments
  - In high-value centres
  - Full-sized department stores
- All of our new stores to perform in the top half of store portfolio:
  - Minimum benchmark by year two of $5m+ store EBIT per store
- None of our new stores compete in low income and regional locations – the heartland of discount department stores

* David Jones new stores includes Sunshine Plaza, Whitford, Macquarie and Pacific Fair. Myer new stores includes Townsville, Ryde, Watergardens, Shellharbour, Greenhills, Mt Gravatt, Robina, Mackay and Plenty Valley

Source: Pitney Bowes MapInfo (2006 Census data); Port Jackson Partners analysis

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2. Strong and low risk growth strategies – Growth in Financial Services business

## Financial Services business to deliver strong profit growth with low risk

✔ The David Jones/Amex alliance resulted in:
- The transfer of $374.3m of largely debt funded receivables to American Express
- The release of ~$35m of working capital from David Jones' balance sheet
- American Express becoming responsible for the credit policy and the risk associated with the portfolio

✔ Our growth in David Jones American Express card holders is exceeding our expectations

✔ **David Jones' guidance is for the Financial Services business to deliver EBIT growth of 7.5% per annum over the next four years (currently $41.3m EBIT contribution)**

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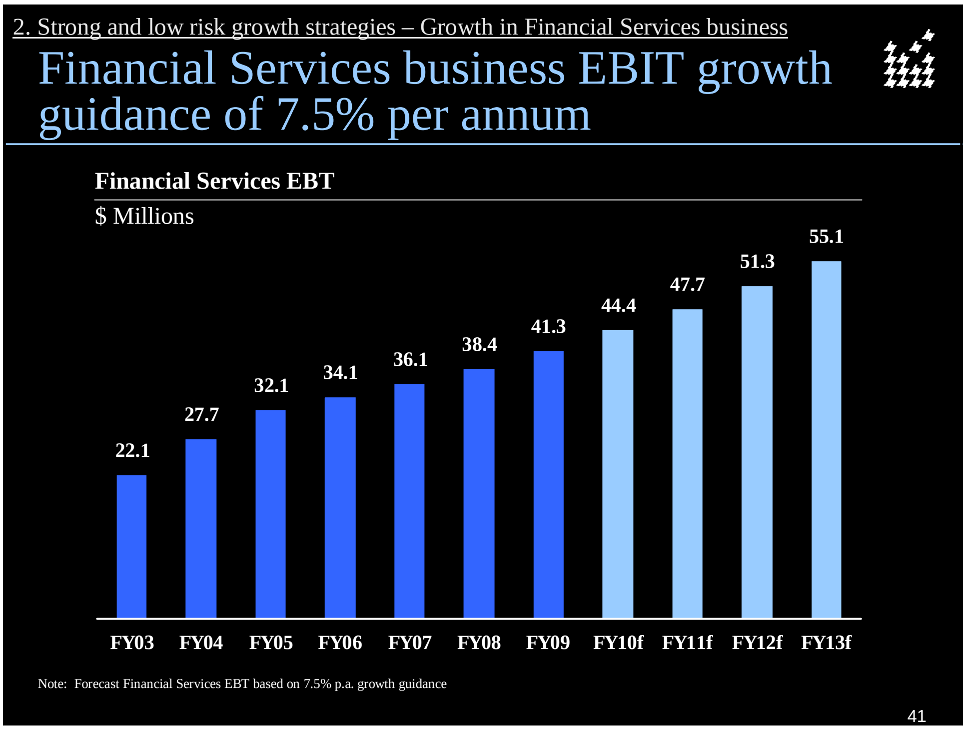
2. Strong and low risk growth strategies – Growth in Financial Services business
Financial Services business EBIT growth guidance of 7.5% per annum
Financial Services EBT
$ Millions
22.1
27.7
32.1
34.1
36.1
38.4
41.3
44.4
47.7
51.3
55.1
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10f
FY11f
FY12f
FY13f
Note: Forecast Financial Services EBT based on 7.5% p.a. growth guidance
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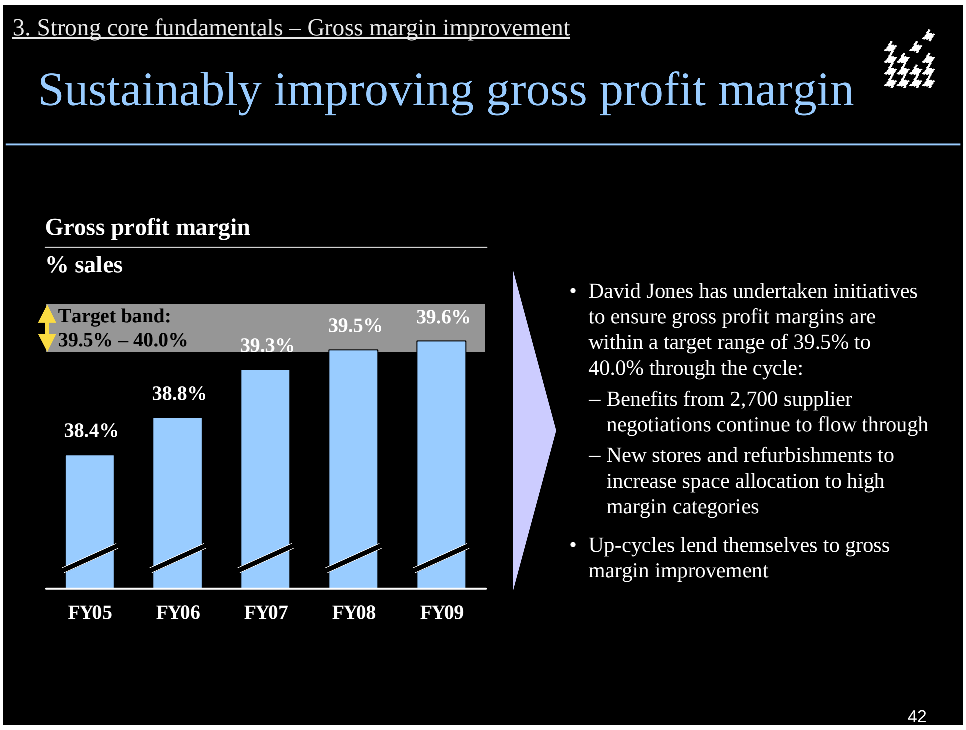
3. Strong core fundamentals – Gross margin improvement
Sustainably improving gross profit margin
Gross profit margin
% sales
Target band:
39.5% – 40.0%
38.4%
38.8%
39.3%
39.5%
39.6%
FY05
FY06
FY07
FY08
FY09
• David Jones has undertaken initiatives to ensure gross profit margins are within a target range of 39.5% to 40.0% through the cycle:
– Benefits from 2,700 supplier negotiations continue to flow through
– New stores and refurbishments to increase space allocation to high margin categories
• Up-cycles lend themselves to gross margin improvement
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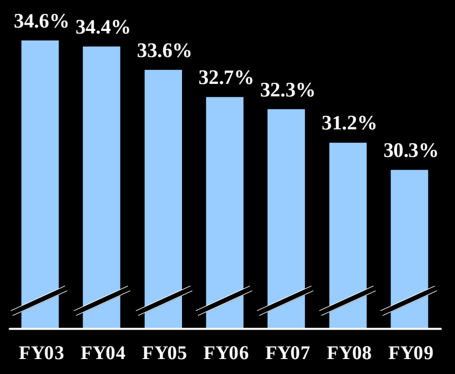
3. Strong core fundamentals – CODB reduction

# Continued CODB reductions while maintaining customer service levels

**Cost of Doing Business**

**% sales**




- Strong track record of improving CODB
- Maintained customer service levels while improving CODB – customer surveys continue to rate our service levels as consistently superior to our competitor
- Continuing to deliver initiatives identified in the FY09-12 Strategic Plan
- 58 initiatives to be delivered over FY2010, FY2011 and FY2012
- Significant fixed cost leverage to the up-cycle

Note: Adjusted for AIFRS and Sale & Leaseback impacts

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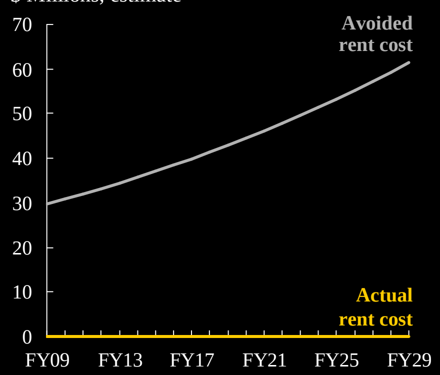
3. Strong core fundamentals – Ownership of flagship CBD stores

# Permanent $30m to $61m cost advantage from owning our flagship CBD stores

**David Jones avoided rent costs – Melbourne and Sydney CBD (including head office rent)**

$ Millions, estimate




- David Jones has no lease commitments for our Sydney and Melbourne CBD stores or our head office
- Owning our stores drives higher EBIT
- We own our stores while having low net debt and gearing
- Owning our stores means we have higher net tangible assets per share
- Owning our stores allows us greater strategic flexibility to redevelop our stores (e.g., major Melbourne CBD development)

* Assumes $30m rent in FY09 growing at CPI + 1%

Source: Myer Sydney CBD lease; David Jones analysis; Port Jackson Partners analysis

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# Management Committee with a proven track record





Management Committee with a proven track record

| Management Committee | Position | Time in current position | Retail experience | Department store experience | Tenure with David Jones |
|---|---|---|---|---|---|
| Mark McInnes | CEO | 6.5 years | 27 years | 22 years | 12 years |
| Stephen Goddard | Finance Director | 6.5 years | 25 years | 22 years | 12 years |
| Paul Zahra | GGM, Stores & Operations | 6.5 years | 26 years | 26 years | 11 years |
| Colette Garnsey | GGM, Apparel, Accessories, Footwear & Cosmetics | 6.5 years | 24 years | 24 years | 15 years |
| Patrick Robinson | GGM, Home & Food | 6.5 years | 20 years | 19 years | 12 years |
| Damian Eales | GGM, Financial Services & Marketing | 6.5 years | 21 years | 21 years | 13 years |
| Antony Karp | GGM, Retail Development & Procurement | 4.5 years | 5 years | 5 years | 5 years |
| Karen McLachlan | GGM, Information Technology | 6.4 years | 10 years | 10 years | 10 years |
| Paula Bauchinger | GGM, Human Resources | 4.5 years | 16 years | 16 years | 10 years |

# David Jones will deliver good growth with low risk

- ✔ Low balance sheet risk with low net debt
- ✔ Financial Services business that is not exposed to the retail cycle, that has delivered 7.5% EBIT growth in FY09 and has guidance of 7.5% p.a. growth each year for the next four years
- ✔ Alliance partner owns the receivables of the Financial Services business and is responsible for the credit policy and the risk associated with the portfolio
- ✔ Growth strategies locked-in and within our competence
- ✔ Capex requirements locked-in and fully funded by a combination of stakeholder contributions and David Jones funding requiring no additional debt
- ✔ Locked-in cost advantage through ownership of Sydney and Melbourne CBD stores



# David Jones poised for further growth

1. Distinctive competitive positioning delivering enduring market share
2. Strong and low risk growth strategies:
   - Well positioned to leverage the up-cycle
   - New Stores and Major Rebuilds to deliver sales growth of ~15-25%
   - Financial Services business EBIT growth guidance of 7.5% p.a. for the next four years (currently $41.3m EBIT contribution)
3. Strong core department store fundamentals:
   - Sustainably improving Gross Profit margins
   - CODB reductions while maintaining customer service levels
   - Ownership of our flagship CBD stores providing strategic flexibility and a cost advantage of $30m rising to $61m over 20 years
4. Consistent and experienced management team with proven track record
5. Low risk business model

David Jones Limited

Full Year (FY09) Results

24 September 2009

# Appendices

# to FY09 Results

# (Financials)

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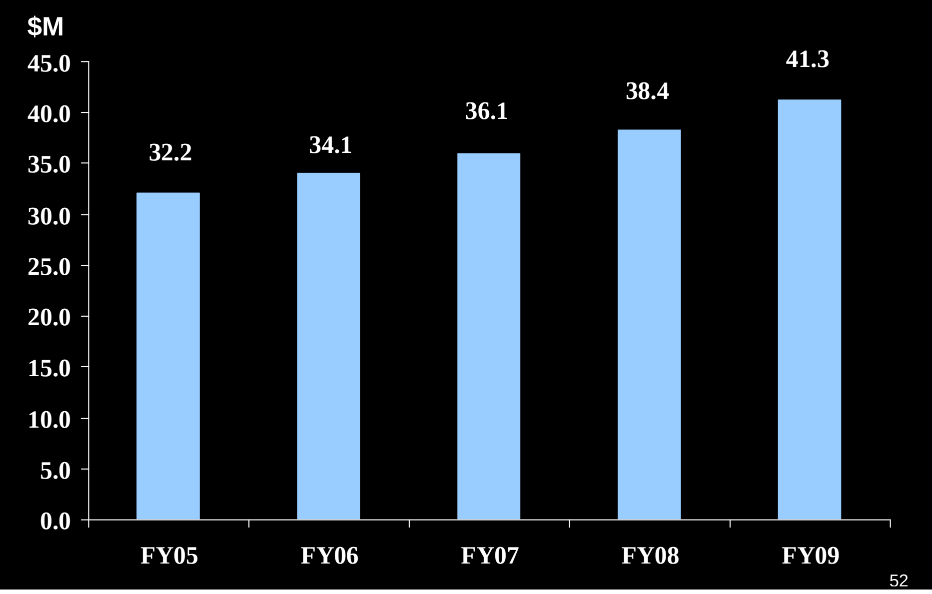
## EBIT

EBIT to Sales performance

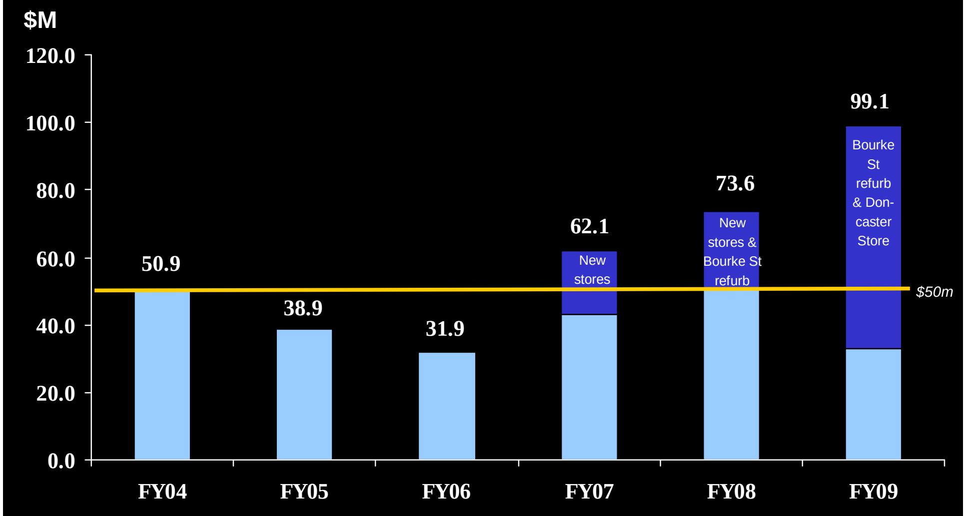
| | FY09 | FY08 |
|---|---|---|
| EBIT | 225.7 | 212.9 |
| % to Sales | 11.4 | 10.2 |
| EBITDA | 269.6 | 254.5 |
| % to Sales | 13.6 | 12.1 |



## Financial Services EBIT



# Capital Expenditure - Spend




*Note: New stores & Bourke St refurb funded by Sale of Bourke St Home Store & DRP*

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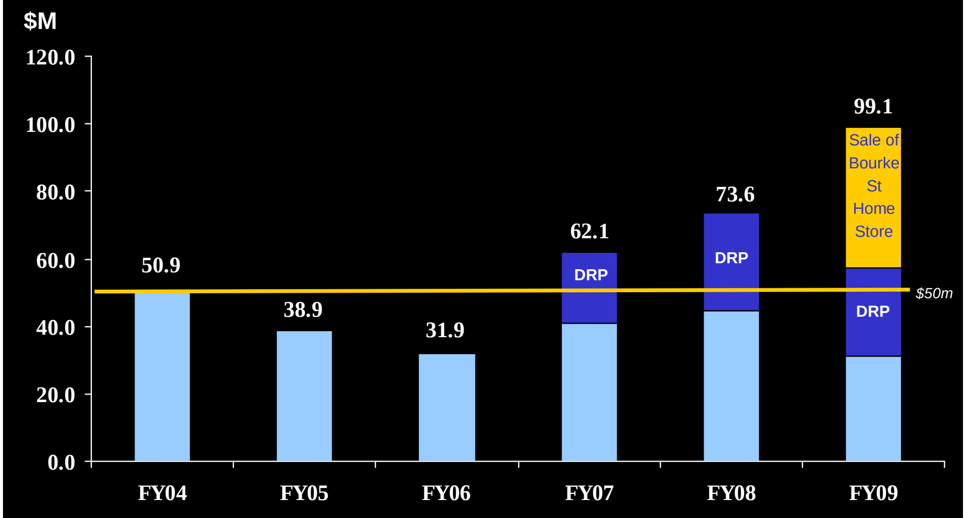
# Capital Expenditure - Funding




*Note: New stores & Bourke St refurb funded by Sale of Bourke St Home Store & DRP*

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# Cash Flow

| | FY 09 $m | FY 08 $m |
|---|---|---|
| EBITDA | 269.6 | 254.5 |
| Interest income/(expense) | (8.2) | (15.5) |
| Tax paid to ATO | (68.0) | (68.9) |
| Share based payment expense | 13.7 | 7.8 |
| (Profit)/Loss on sale of NCA | 0.4 | 0.0 |
| Interest classified as financing activity | 0.0 | 1.3 |
| Net movement in working capital | 20.2 | 27.6 |
| Net movement in other assets/liabilities | (2.9) | (4.8) |
| **Operating cash flow** | **224.8** | **202.0** |
| Capex | (99.1) | (73.6) |
| **Free cash flow** | **125.8** | **128.3** |
| Dividends | (107.1) | (85.2) |
| Purhase of Shares for LTI Trust | (2.2) | 0.0 |
| Interest paid - RPS | 0.0 | (1.3) |
| Equity proceeds | 0.1 | 0.1 |
| **Net Cash flow** | **16.5** | **41.9** |
| Repayment of borrowings | (70.0) | (180.0) |
| Proceeds from sale of Little Bourke Street | 0.0 | 42.0 |



# Financial Health Indicators

| | FY09 | FY08 |
|---|---|---|
| Average Net Debt: Net Debt + Equity | **13.6%** | 25.6% |
| Year End Net Debt: Net Debt + Equity | **11.4%** | 15.3% |
| Average Net Debt: EBITDA | **0.4** | 0.7 |
| EBITDA Interest Cover | **32.8** | 16.5 |
| EBITDA Fixed Charge Cover | **3.9** | 3.7 |
| ROFE (13 month average) | **32.4%** | 31.8% |

- EBITDA based on underlying PAT
- Ratios include net credit EBIT, exclude credit funding & are based on net interest

## Expenses - FY09

### 4E Income Statement

| FY09 | $m | % |
|---|---|---|
| Other Revenues | 64.5 | (32.3) |
| Employee Expenses | 338.9 | (2.5) |
| Lease & Occupancy | 156.5 | (8.4) |
| Depreciation & Amortisation | 44.0 | 5.9 |
| Advertising/Merchandise/Visual | 45.5 | (16.4) |
| Administration | 20.4 | (40.1) |
| Net Financing | 9.2 | (77.6) |
| Other Expenses | 18.7 | (51.0) |

** Underlying PAT - removing profit from sale of Bourke St Home Store in 2H08*

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## Expenses - FY09

**Other Revenues (32.3%)** – reflects commission revenue received from GPC alliance (vs total store card interest & fees in FY08) & Sale of Bourke St Home Store in 2H08

**Employee Expenses (2.5%)** – reflects store salaries in line with sales, impact of the organisational realignment and incentive based rewards

**Lease & Occupancy (8.4%)** – reflects disruption allowance (Bourke St & Robina) & continued focus on cost efficiencies

**Depreciation & Amortisation +5.9%** – broadly in line with previous periods

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## Expenses - FY09

**Advert/Merch/Visual (16.4%)** – reflects cost efficiencies & market opportunities whilst maintaining share of voice

**Administration (40.1%)** – material reduction in external resources & continued cost efficiencies

**Net Financing (77.6%)** – funding for store card receivables no longer on balance sheet & managed by Amex (LY $23.7m) & reduced interest costs due to strong balance sheet & cash position

**Other Expenses (51.0%)** - doubtful debts expense no longer directly incurred as managed by Amex & continued focus on cost efficiencies. LY includes costs incurred in GPC transaction (including finalising receivables transfer to Amex)

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## Expenses - 2H09

**4E Income Statement**

| **2H09** | **$m** | **%** |
|---|---|---|
| Other Revenues | 26.2 | (50.4) |
| Employee Expenses | 166.1 | 0.3 |
| Lease & Occupancy | 79.2 | (9.7) |
| Depreciation & Amortisation | 21.1 | (7.6) |
| Advertising/Merchandise/Visual | 18.3 | (28.9) |
| Administration | 7.5 | (60.9) |
| Net Financing | 4.0 | (79.7) |
| Other Expenses | 9.9 | (53.6) |

* *Underlying PAT - removing profit from sale of Bourke St Home Store in 2H08*

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## Expenses - 2H09

**Other Revenues (50.4%)** – reflects commission revenue received from GPC alliance (vs total store card interest & fees in 2H08) & Sale of Bourke St Home Store in 2H08

**Employee Expenses +0.3%** – reflects store salaries in line with sales & reduction due to organisational realignment offset by phasing of incentive based rewards

**Lease & Occupancy (9.7%)** – reflects disruption allowance (Bourke St & Robina) & continued focus on cost efficiencies

**Depreciation & Amortisation (7.6%)** – broadly in line with previous periods



## Expenses - 2H09

**Advert/Merch/Visual (28.9%)** – reflects cost efficiencies & market opportunities whilst maintaining share of voice

**Administration (60.9%)** – material reduction in external resources as GPC initiative completed in 1H09 & continued cost efficiencies

**Net Financing (79.7%)** – funding for store card receivables no longer on balance sheet & managed by Amex (LY $12.2m) & reduced interest costs due to strong balance sheet & cash position

**Other Expenses (53.6%)** – doubtful debts expense no longer directly incurred as managed by Amex & continued focus on cost efficiencies. LY includes costs incurred in GPC transaction, including finalising receivables transfer to Amex

## Tax - FY09

- Tax rate of 28.0% in FY09 (vs 29.7% in FY08 or 30.6% in FY08 after adjusting for the Sale of the Bourke St Home store)
- LTI Plan Trust put in place as part of the 09-12 Plan & acquired shares on market for the first time in FY09, leading to recognition of deferred tax asset relating to the LTI Plan
- Guidance for Tax rate in FY10 is corporate rate of 30%
- This is factored into our PAT guidance for FY10

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## Capital Expenditure Outlook FY09-FY12

| | $m (over FY09-12) | |
|---|---|---|
| Total Investment | 400 | |
| Less Stakeholder Funding | 100 | |
| Capex on DJ Balance Sheet | **300** # | |
| Less Sale of Bourke St Home Store | 42 | |
| Less DRP | 70 | |
| **Net Capex Funded by Operating Cashflow** | **190** | (approx) over 4 years (average ~ $50m p.a.) |

# Capex Forecast

| | |
|---|---|
| FY09 (incl. Bourke St refurbishment) | 99 |
| FY10 – FY12 (average ~ $67m p.a. inclusive of new stores & Bourke St refurb) | 201 |
| | **300** |

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## Funds Employed

| | FY09 $m | FY08 $m |
|---|---|---|
| Inventory | 244.8 | 257.3 |
| Payables | (244.1) | (274.6) |
| | 0.7 | (17.3) |
| Receivables - Current | 35.5 | 423.5 |
| Other Creditors - Current | (54.9) | (63.6) |
| Receivables Liability | 0.0 | (341.0) |
| **Working Capital** | **(18.7)** | **1.6** |
| Receivables - Non-Current | 1.4 | 0.8 |
| Other Creditors - Non-Current | (35.6) | (36.3) |
| Fixed Assets | 762.3 | 707.6 |
| **Total Funds Employed** | **709.4** | **673.7** |
| Net Tax Balances | 66.2 | 50.9 |
| **Net Assets Employed** | **775.6** | **724.6** |
| Cash | 11.7 | 65.2 |
| Borrowings | (100.0) | (170.0) |
| **Total Equity** | **687.4** | **619.8** |

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## Net Financing Analysis

| | 1H09 $000 | 2H09 $000 | FY09 $000 |
|---|---|---|---|
| Net Interest as per ASX Release | 4,115 | 4,102 | 8,217 |
| Interest Income | 923 | 154 | 1,077 |
| Other | 214 | (265) | (51) |
| Total Net Financing Expenses as per 4E | **5,252** | **3,992** | **9,243** |
| | **1H08** | **2H08** | **FY08** |
| | **$000** | **$000** | **$000** |
| Net Interest as per ASX Release | 8,291 | 7,168 | 15,458 |
| Financial Services Cost of Funds | 11,587 | 12,152 | 23,740 |
| Interest Income | 1,689 | 392 | 2,081 |
| Other | (38) | (63) | (101) |
| Total Net Financing Expenses as per 4E | **21,529** | **19,649** | **41,178** |

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