



David Jones

Half Year (1H10) Results

August 09 – January 10

Presenters:
Mark McInnes – CEO
Stephen Goddard – Finance Director

1H10 Financial Overview



- 1H10 Profit after Tax +10.2%
- Interim Dividend 12cps (+ 9.1%)
- Company has
 - strong cash flows
 - high quality assets
 - strong balance sheet
 - low debt levels (less than \$100m)

1H10 Financial Highlights



- 1H10 Profit after Tax +10.2%
- 1H10 Gross Profit 40.0% (up 50 bp)
- 1H10 CODB 28.4% (down 30 bp)
- Total EBIT to Sales 13.5% (up 90 bp)
- Interim Dividend 12cps (+ 9.1%)

3

Profit Summary



	1H10	1H09	Change
	\$m	\$m	%
- Department Stores EBIT	125.6	114.4	9.8%
- Financial Services EBIT	21.2	19.7	7.5%
Total EBIT	146.8	134.1	9.5%
Interest Expense	(3.3)	(4.1)	(20.1%)
Profit Before Tax	143.5	130.0	10.4%
Tax	(43.0)	(38.8)	10.9%
Profit After Tax	100.5	91.2	10.2%

4

EBIT

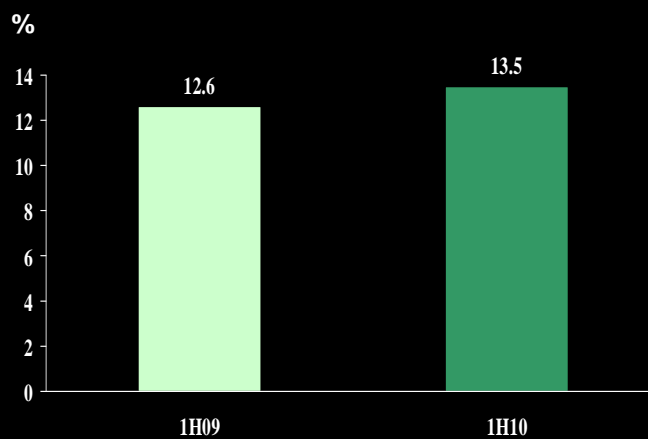


EBIT to Sales performance

	1H10	1H09
EBIT	146.8	134.1
% to Sales	13.5%	12.6%
EBITDA	167.9	157.0
% to Sales	15.5%	14.8%

5

EBIT % to Sales



6

Financial Services



- Customer acquisitions well ahead of target
- Gained material share of new credit card openings
- Credit environment improving

7

Gross Profit



- GP margin up 50bp to 40% - a record high for the business, despite increased competitive pressure
- Increase in GP margin reflects work undertaken by Management in
 - renegotiating 2,700 supplier contracts throughout 2007
 - reallocation of space to high margin categories in new & refurbished stores
 - increasing department store exclusive brands

8

Inventory Management



- Continued track record of tight stock management
- Inventory increase of 3.3% in line with 2Q Sales growth
- Aged inventory well below Company's 5% benchmark

9

Cost of Doing Business



- CODB of 28.4% for 1H10 (vs 28.7% in 1H09)
- 58 Cost Efficiency projects on track over FY10-FY12 to continue CODB reductions
- Examples of projects include:
 - catalogue printing
 - catalogue distribution
 - digital photography
 - media buying
 - advertising agency
 - transactional banking
 - EFTPOS
 - lifts & escalators
 - energy
 - telecommunications

10

Cost of Doing Business



Example of CODB Project – Lifts & Escalators

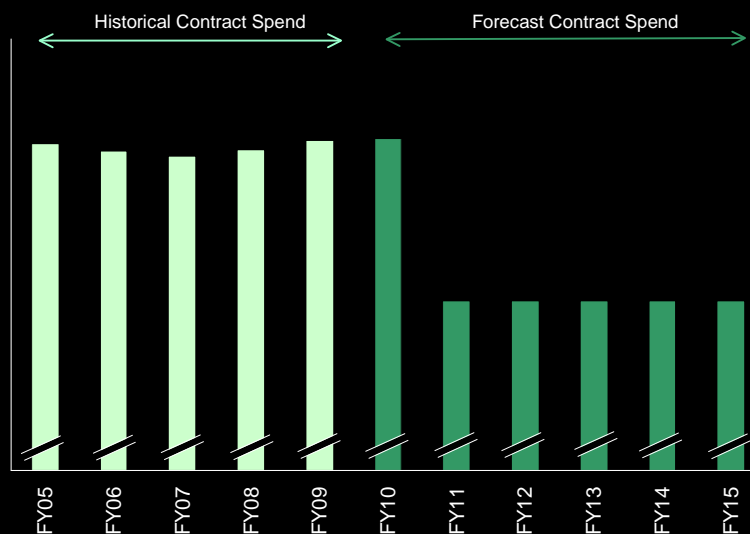
- Legacy contracts (of length 5 – 20 years) across 280 pieces of equipment
- Contracts originally assigned on expiry without coordination (i.e. 1 store could have had 3 different suppliers)
- Has been 5-year plan to coordinate end dates of existing contracts to enable 1 negotiation
- Procurement tender undertaken in late 2009 with:
 - 1 supplier appointed covering all equipment at all sites
 - material annual savings
 - pricing fixed for the term of the agreement
 - the ability to terminate on a site by site basis for performance issues
 - the ability to award new stores to another supplier
 - full comprehensive agreement with no exclusions
 - working capital benefit due to negotiated trading terms from 30 to 60 days
 - contracted response time for improved service levels

11

Cost of Doing Business



Example CODB Project - Lifts & Escalators



12

Key Projects for FY10 & FY11



The Company's key new store & refurbishment projects on track

- Bourke St store to be completed in 1Q11 – major EBIT benefit to flow through in FY12
- Kotara expected to be completed in Nov 2010
- Claremont due to open in March 2011

13

Cash Flow



	1H10	1H09
	\$m	\$m
EBITDA	167.9	157.0
Interest expense	(3.3)	(4.1)
Tax paid to ATO	(17.1)	(37.4)
Share based payment expense	6.0	5.3
Net movement in working capital	(31.8)	(29.5)
Working capital benefit from sale of the receivables	0.0	33.3
Net movement in other assets/liabilities	2.3	5.7
Operating cash flow	124.0	130.4
Capex	(38.1)	(39.4)
Proceeds on disposal of property	0.6	0.0
Net Investing Cash flow	(37.6)	(39.4)
Free cash flow	86.4	91.0
Dividends	(68.6)	(62.7)
Net Cash flow	17.8	28.3

14

Financial Health Indicators



	1H10	1H09
Average Net Debt: Net Debt + Equity	13.1%	17.7%
Average Net Debt: EBITDA	0.4	0.5
EBITDA Interest Cover	38.0	22.7
Fixed Charge Cover	4.2	3.9
ROFE (13-month rolling average)	33.1%	30.9%
ROE (13-month rolling average)	24.4%	23.1%

1H09 adjusted in accordance with AASB 138

15

Interim Dividend



- 1H10 Dividend of 12 cents per ordinary share fully franked declared (+9.1% on 1H09)
- Record high Dividend
- 1H10 Dividend reflects the Company's
 - strong balance sheet
 - low debt levels
 - ability to fund its future Capex program

16

Outlook



FY10

- Reaffirm 5% - 10% PAT growth guidance for 2H10 & FY10
- Remain very cautious about cycling Government Stimulus in 4Q10

FY11

- Reaffirm 5% - 10% PAT growth guidance for FY11
- To achieve top end of guidance retail recovery will have to be in full swing – something Access Economics does not forecast until 2012

17

Conclusion



Company has

- strong business model
- loyal customer base
- strong service heritage & ethic
- best national & international brands
- ownership of Sydney & Melbourne flagship stores
- alliance with American Express
- low debt levels
- proven track record of cost management
- outstanding GP & EBIT margins
- strong cashflows
- best practice performance amongst international peers
- best positioned itself to take advantage of upturn when it comes

18



Appendices

19



Cost of Doing Business

4D Income Statement

1H10	\$m	%
Other Revenues	24.8	(35.4)
Employee Expenses	164.0	(5.1)
Lease & Occupancy	88.3	14.1
Depreciation & Amortisation	21.2	(7.7)
Advertising/Merchandise/Visual	24.6	(9.7)
Administration	5.8	(55.1)
Financing	3.4	(35.0)
Other Expenses	8.5	(3.2)

20

Cost of Doing Business



4D Income Statement

- **Other Revenues (35.4%)** – reflects commission revenue received from GPC alliance, reduced interest income from funds on deposit, timing of other income & provision items in 1H09
- **Employee Benefits Expenses (5.1%)** – reflects store salaries in line with sales, impact of organisational realignment (in 1H09) & launch of GPC card (in 1H09)
- **Lease & Occupancy +14.1%** – reflects reduced disruption allowances (vs 1H09) & timing of cost efficiencies

21

Cost of Doing Business



4D Income Statement

- **Depreciation & Amortisation (7.7%)** – in line with 2H09
- **Advertising/Merchandising/Visual (9.7%)** – reflects impact of launch of GPC (in 1H09)
- **Administration (55.1%)** – continued reduction in external resources, focus on cost efficiencies & impact of launch of GPC card (in 1H09)
- **Financing (35.0%)** – reduced interest costs due to strong balance sheet & cash position
- **Other Expenses (3.2%)** – broadly in line with last year

22

Funds Employed



	1H10	1H09
	\$m	\$m
Inventory	248.7	240.8
Payables	<u>(235.9)</u>	<u>(240.7)</u>
	12.8	0.2
Receivables - Current	38.6	40.7
Other Creditors - Current	<u>(41.9)</u>	<u>(46.8)</u>
Working Capital	9.5	(5.9)
Receivables - Non-Current	0.8	3.4
Other Creditors - Non-Current	(37.3)	(39.2)
Fixed Assets	<u>778.7</u>	<u>724.1</u>
Total Funds Employed	751.8	682.4
Net Tax Balances	<u>42.5</u>	<u>53.3</u>
Net Assets Employed	794.3	735.7
Cash	14.6	11.5
Borrowings	<u>(85.0)</u>	<u>(88.0)</u>
Total Equity	723.9	659.2

1H09 adjusted in accordance with AASB 138

23

Financing Analysis



	1H10	1H09
	\$m	\$m
Net Interest as per ASX Release	3.3	4.1
Interest Income	0.2	0.9
Other	(0.0)	0.2
Total Financing Expenses as per 4D	3.4	5.3

24

COBD Reconciliation



	1H10	1H09
	\$m	\$m
GP as per statutory P&L	434.5	418.9
PBT as per statutory P&L	143.5	130.0
Total Costs as per stat P&L, net of other revenues	291.0	288.9
Financial Services Result	21.2	19.7
Net Interest	(3.3)	(4.1)
COBD for Department Stores	308.9	304.5

25



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17 March 2010