



David Jones

Half Year (1H11) Results

August 2010 – January 2011

Presenters:
Paul Zahra – CEO
Stephen Goddard – Finance Director

1H11 Overview



- 1H11 Profit after Tax +5.2% despite challenging retail conditions in 2Q11
 - The Company has a
 - resilient business model with distinct competitive positioning
 - strong track record of performance
 - strong management team
 - strong balance sheet
- and is well positioned to leverage any improvements in the economy as they occur

1H11 Financial Highlights



- Profit after Tax +5.2%
- Gross Profit % Sales 39.7% (down 30 bp)
- CODB % Sales 27.6% (down 80 bp)
- Financial Services EBIT +7.5%
- Total EBIT % Sales 14.2% (up 70 bp)
- Interim Dividend up 1c to 13c (+8.3%)

3

Profit Summary



	1H11	1H10	Change
	\$m	\$m	%
Sales	1,083.4	1,086.1	- 0.2%
Gross Profit	429.9	434.5	- 1.1%
% to sales	39.7%	40.0%	- 30bp
Cost of Doing Business	(299.0)	(308.9)	- 3.2%
% to sales	27.6%	28.4%	- 80bp
- Department Stores EBIT	130.9	125.6	+ 4.2%
- Financial Services EBIT	22.8	21.2	+ 7.5%
EBIT - TOTAL	153.7	146.8	+ 4.7%
% to sales	14.2%	13.5%	+ 70bp
Net Interest Expense	(3.5)	(3.3)	+ 7.4%
Profit before Tax	150.1	143.5	+ 4.6%
Income Tax Expense	(44.4)	(43.0)	+ 3.3%
Tax Rate	29.6%	30.0%	- 40bp
Profit after Tax	105.7	100.5	+ 5.2%

4

Gross Profit & Inventory



- GP margin 39.7% (down 30bp)
- Competitive trading environment in 1H11, especially pre Christmas
- Resilient business model delivered GP% within our target range of 39.5% - 40.0%
- Inventory clean and below 5% benchmark for aged stock
- Inventory +6.0% on LY - included inventory for Bourke St Mall and Claremont Quarter, and the impact of the difference in the accounting calendar (FY10 was 53-week year)

5

Cost of Doing Business



- CODB of 27.6% for 1H11 (vs 28.4% in 1H10), down 80bp
- Core competency with continued focus on cost efficiencies across the entire business
- 1H11 reflected flow-through benefits of CODB initiatives previously implemented
- Cost Efficiency projects on track with 27 CODB programs being implemented across FY11 & FY12

6

Cost of Doing Business



- Cost Efficiency projects in 1H11 included:
 - Centralised Contact Centre
 - Cash Management Equipment
 - West Australia Direct to Store Deliveries
 - Elimination of Third Party Security Labour
 - Procurement – Contract Negotiations
 - Frontline Staff Online Orientation
 - Efficiencies in Marketing Supply Arrangements

7

New Store Openings



- The new David Jones Highpoint (Vic) store takes to 5 the number of new stores in the Company's pipeline
- Other new stores already announced include Macquarie (NSW), Pacific Fair (Qld), Sunshine Coast (Qld) and Whitford (WA)
- All 5 new stores are scheduled to open in the FY13 – FY16 period

8

Highpoint



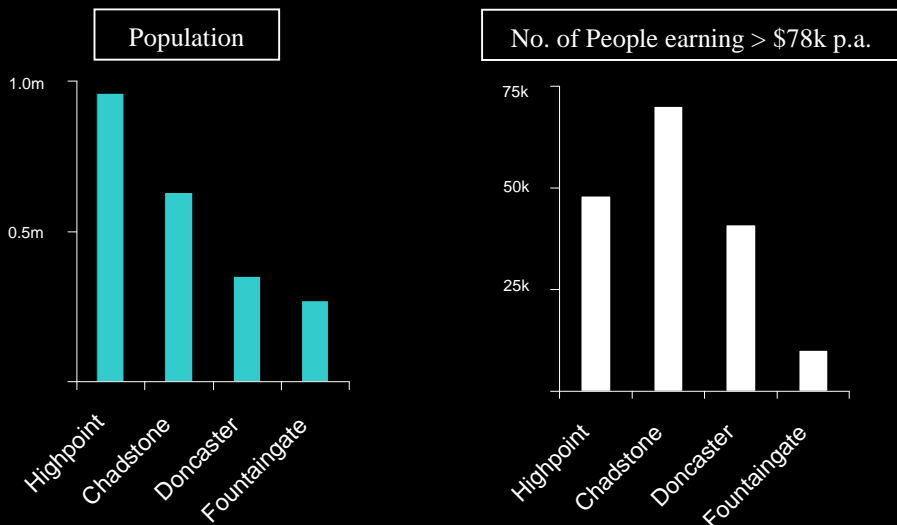
- The Company has signed a lease for a new 14,000sqm store at Highpoint (Vic)
- Store will anchor a new fashion wing as part of a major redevelopment
- Highpoint has a strong demography and is the 10th largest shopping centre in Australia and is ranked 5th in Australia by sales
- Store is expected to open in 1st quarter of C2013 and generate \$50-60m sales p.a. over time

9

Highpoint



Total Trade Area



10

FY11 Refurbishments



- Bourke St Mall (Vic) opened August 2010 with 30% more selling space, with DJs gaining market share in the key Melbourne market
- Kotara (NSW) & Wollongong (NSW) refurbishments completed in October 2010 and trading successfully
- Claremont Quarter (WA) opened in February 2011 to a strong response from customers

11

FY12 Refurbishments



- Chadstone (Vic) and Warringah Mall (NSW) refurbishments underway. Whilst some planned disruption to sales in C2011 will occur, both will be completed well in time for Christmas trading
- Refurbishment of the Company's Marion (SA) store will commence in July 2011 and will be completed in time for Christmas trading
- On track for 1,000 new branded installations in 2011 & 2012

12

Focus on High Value Assets



- Toombul (Qld) and Newcastle (NSW) stores closed on 29 January 2011
- Transitioning the EBIT contribution of these stores to nearby Chermside (Qld) store opened August 2007 and Kotara (NSW) store newly refurbished in October 2010
- Our focus on high value assets is an important component of reducing CODB% over the long term

13

Brands



- Company announced (on 13 January 2011) 30 new brands to join David Jones on department store exclusive basis
- Company is implementing plan to replace sass & bide from end W11, with clear program to fully replace sales with other brands

14

Online Trading



- Successfully delivered Christmas etail site - now trading continuously
- Now offer year-round gifting site which will progressively develop over time
- Working to become a multi channel retailer with an integrated Digital Marketing plan as we build attractive economics and manage risk

15

Financial Services



- Financial Services EBIT +7.5%
- Customer acquisitions continue to be ahead of target
- Good response to value proposition re-launch in October 2010
- Continue to focus on spend and balance

16

Cash Flow



- Cash Flow is strong and balance sheet is in good shape
- Long term net debt continues to be less than \$100m at end of 1H11
- Gearing at half year-end of 8.9%
- Operating Cash Flow of \$133.4m (vs \$124.0m LY)

17

Cash Flow



	1H11	1H10
	\$m	\$m
EBITDA	179.5	167.9
Interest expense	(3.5)	(3.3)
Tax paid to ATO	(31.4)	(17.1)
Share based payment expense	5.1	6.0
Net movement in working capital	(16.6)	(31.8)
Disposal of assets	(0.3)	0.0
Net movement in other assets/liabilities	0.6	2.3
Operating Cash flow	133.4	124.0
Capex	(47.0)	(38.1)
Proceeds on disposal of property	0.0	0.6
Net Investing Cash flow	(47.0)	(37.6)
Free Cash flow	86.4	86.4
Dividends	(76.6)	(68.6)
Equity Proceeds	0.1	0.0
Net Cash flow	10.0	17.8

18

Financial Health Indicators



	1H11	1H10
Average Net Debt: Net Debt + Equity	12.3%	13.1%
Half Year-end Net Debt: Net Debt + Equity	8.9%	8.9%
Average Net Debt: EBITDA	0.3	0.4
EBITDA Interest Cover	41.2	38.0
Fixed Charge Cover	4.3	4.2
ROFE (13-month rolling average)	31.9%	33.1%
ROE (13-month rolling average)	23.6%	24.4%

19

Interim Dividend



- 1H11 Dividend up 1c to 13 cents per ordinary share fully franked (+8.3% on 1H10)
- Record high Dividend
- 1H11 Dividend reflects the Company's
 - strong balance sheet
 - low debt levels
 - ability to fund its future Capex program

20

Outlook



- The recent trading environment has been negatively influenced by adverse weather and significant events such as the floods in Queensland and Victoria, the earthquake and tsunami in Japan and the unrest in Libya. All of these have resulted in volatile markets and a deterioration in consumer sentiment.
- Subject to no further deterioration in consumer sentiment and no further adverse changes in the macro economic environment, the Company reaffirms its 5% - 10% PAT growth guidance for 2H11 and FY12 noting however that if consumer shopping behaviour continues as per 2Q11, PAT growth is expected to be at the lower end of the guidance.
- A further update of trading conditions will be provided by the Company at its 3Q11 Sales announcement in May. This will include the Company's trading performance over the Easter promotional period in mid/late April.

21

Conclusion



The Company has a

- resilient business model
- distinct competitive positioning
- strong track record of performance
- strong management team
- strong balance sheet

and is well positioned to leverage any improvements in the economy as they occur

22



Appendices

23

EBIT



EBIT to Sales performance

	1H11	1H10
EBIT	153.7	146.8
% to Sales	14.2%	13.5%
EBITDA	179.5	167.9
% to Sales	16.6%	15.5%

24

Cost of Doing Business



4D Income Statement

1H11	\$m	% Inc/(Dec)
Other Revenues	27.0	9.0
Employee Expenses	153.3	(6.5)
Lease & Occupancy	88.4	0.1
Depreciation & Amortisation	25.8	22.0
Advertising/Merchandise/Visual	18.5	(24.8)
Administration	8.8	51.7
Financing	3.9	13.6
Other Expenses	8.0	(5.4)

25

Cost of Doing Business



4D Income Statement

- **Other Revenues +9.0%** – increase due to Financial Services commission as per arrangement with Amex
- **Employee Benefits Expenses (6.5%)** – includes store salaries in line with sales & impact of cost efficiencies & reduced incentives
- **Lease & Occupancy +0.1%** – in line with LY
- **Depreciation & Amortisation +22.0%** – includes depreciation for Bourke St Mall redevelopment

26

Cost of Doing Business



4D Income Statement

- **Advertising/Merchandising/Visual (24.8%)** – maintained share of voice but at reduced cost reflecting the outcome of renegotiated contracts & other initiatives
- **Administration +51.7%** – increase due to consulting & timing
- **Financing +13.6%** – increase due to higher interest rates
- **Other Expenses (5.4%)** – broadly in line with last year with some cost efficiencies benefit

27

Funds Employed



	1H11	1H10
	\$m	\$m
Inventory	263.8	248.7
Payables	<u>(221.7)</u>	<u>(235.9)</u>
	42.1	12.8
Receivables - Current	34.5	38.6
Other Creditors - Current	<u>(36.9)</u>	<u>(41.9)</u>
Working Capital	39.7	9.5
Receivables - Non-Current	0.3	0.8
Other Creditors - Non-Current	<u>(36.3)</u>	<u>(37.3)</u>
Fixed Assets	<u>818.8</u>	<u>778.7</u>
Total Funds Employed	822.5	751.8
Net Tax Balances	<u>34.0</u>	<u>42.5</u>
Net Assets Employed	856.5	794.3
Cash	16.7	14.6
Borrowings	<u>(93.0)</u>	<u>(85.0)</u>
Total Equity	780.2	723.9

28

Financing Analysis



	1H11	1H10
	\$m	\$m
Net Interest as per ASX Release	3.5	3.3
Interest Income	0.3	0.2
Other	0.1	(0.0)
Total Financing Expenses as per 4D	3.9	3.4

29

CODB Reconciliation



	1H11	1H10
	\$m	\$m
GP as per statutory P&L	429.9	434.5
PBT as per statutory P&L	150.1	143.5
Total Costs as per stat P&L, net of other revenues	279.8	291.0
Financial Services Result	22.8	21.2
Net Interest	(3.5)	(3.3)
CODB for Department Stores	299.0	308.9

30



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23 March 2011