



David Jones
Half Year (1H12) Results
August 2011 – January 2012

Presenters:
Paul Zahra – CEO
Stephen Goddard – Finance Director

1H12 Overview



- 1H12 Profit after Tax -19.6% (\$85.0m vs \$105.7m 1H11), in line with guidance
- Sales tracking improved substantially from -11.2% in 1Q12 to -3.1% in 2Q12
- Good progress in clearing inventory. At end January 2012 inventory was down 3.4% vs end January 2011

Key 1H12 Financials



- Profit after Tax \$85.0m, down 19.6%
- Gross Profit % Sales 37.9% (vs 39.7%), down 180 bp
- CODB % Sales 27.8% (vs 27.6% 1H11), up 20 bp
- Financial Services EBIT +7.5%
- Total EBIT % Sales 12.4% (vs 14.2% 1H11), down 180 bp
- Interim Dividend down 2.5c to 10.5c (-19.2% on 1H11)

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Profit Summary



	1H12	1H11	Change	
	\$m	\$m		%
Sales	1,011.2	1,083.4	-	6.7%
Gross Profit	382.8	429.9	-	11.0%
% to sales	37.9%	39.7%	-	180bp
Cost of Doing Business	(281.5)	(299.0)	-	5.9%
% to sales	27.8%	27.6%	+	20bp
- Department Stores EBIT	101.3	130.9	-	22.6%
- Financial Services EBIT	24.5	22.8	+	7.5%
EBIT - TOTAL	125.8	153.7	-	18.1%
% to sales	12.4%	14.2%	-	180bp
Net Interest Expense	(5.0)	(3.5)	+	41.9%
Profit before Tax	120.8	150.1	-	19.5%
Income Tax Expense	(35.8)	(44.4)	-	19.5%
Tax Rate	29.6%	29.6%		
Profit after Tax	85.0	105.7	-	19.6%

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Gross Profit & Inventory



- GP margin 37.9% vs 39.7% 1H11 (down 180bp)
- The Company has made significant inroads in clearing excess inventory based on a focused and effective merchandise management program.
- At end 1H12 inventory levels were down 3.4% compared to end January 2011
- Remaining excess inventory to be cleared by end 2H12
- Aged stock continues to be below 5% benchmark.

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Cost of Doing Business



- CODB of 27.8% for 1H12 vs 27.6% in 1H11 (up 20bp)
- Continued focus on cost efficiencies across the entire business with dollar costs reducing for the half
- Additional hours added back to support service levels as a relative proportion of sales

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1H12 Refurbishments



- Chadstone (Vic), Warringah Mall (NSW) and Marion (SA) refurbishments completed and traded successfully over Christmas period
- Toowong Village (Qld) refurbishment now underway and on track
- On track to continue investment in rollout of branded installations

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Financial Services



- Financial Services EBIT +7.5%
- Update to be provided as part of the presentation on Future Strategic Direction today

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Cash Flow



- Cash Flow was solid and balance sheet remains in good shape
- Long term net debt continues to be less than \$100m at end of 1H12
- Gearing at half year-end of 9.0% (vs 8.9% 1H11)
- Operating Cash Flow of \$150.8m (vs \$133.4m 1H11)

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Cash Flow



	1H12	1H11
	\$m	\$m
EBITDA	149.9	179.5
Interest expense	(5.0)	(3.5)
Tax paid to ATO	(32.8)	(31.4)
Share based payment - (writeback) / expense	(2.1)	5.1
Net movement in working capital	40.1	(16.6)
Disposal of Assets - loss / (profit)	0.6	(0.3)
Net movement in other assets/liabilities	0.2	0.6
Operating Cash flow	150.8	133.4
Capex	(45.3)	(47.0)
Net Investing Cash flow	(45.3)	(47.0)
Free Cash flow	105.5	86.4
Dividends	(64.8)	(76.6)
Equity Proceeds	0.0	0.1
Net Cash flow	40.8	10.0

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Financial Health Indicators



	1H12	1H11
Average Net Debt: Net Debt + Equity	13.4%	12.3%
Half Year-end Net Debt: Net Debt + Equity	9.0%	8.9%
Average Net Debt: EBITDA	0.5	0.3
EBITDA Interest Cover	30.5	41.2
Fixed Charge Cover	3.7	4.3
ROFE (13-month rolling average)	25.4%	31.9%
ROE (13-month rolling average)	18.9%	23.6%

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Interim Dividend



- 1H12 Dividend down 2.5c to 10.5 cents per ordinary share fully franked (-19.2% on 1H11)
- 1H12 Dividend reflects the Company's
 - strong balance sheet
 - low debt levels
 - ability to fund its future Capex program

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Appendices

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EBIT

EBIT to Sales performance

	1H12	1H11
EBIT	125.8	153.7
% to Sales	12.4%	14.2%
EBITDA	149.9	179.5
% to Sales	14.8%	16.6%

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Cost of Doing Business



1H12	\$m	% Inc/(Dec)
Other Revenues	28.3	4.9
Employee Expenses	134.2	(12.5)
Lease & Occupancy	93.4	5.6
Depreciation & Amortisation	24.1	(6.7)
Advertising/Merchandise/Visual	17.7	(4.5)
Administration	8.8	(0.6)
Financing	5.2	35.1
Other Expenses	7.0	(12.8)

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Cost of Doing Business Analysis



4D Income Statement

- Other Revenues +4.9% – increase due to Financial Services commission as per arrangement with Amex
- Employee Benefits Expenses (12.5%) – includes reduced incentives paid, impact of cost efficiencies and store salaries (in line with sales plus increased service level)
- Lease & Occupancy +5.6% – moderate increase to LY after adjusting for disruption allowance in 1H11 (relating to Sydney CBD air bridges replacement)
- Depreciation & Amortisation (6.7%) – includes depreciation for refurbishments finalised pre Christmas and timing differences

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Cost of Doing Business Analysis



4D Income Statement

- Advertising/Merchandising/Visual (4.5%) – maintained share of voice with continued cost efficiencies
- Administration (0.6%) – flat to last year
- Financing +35.1% – increase due to higher debt levels in season and new banking facility (established Dec 2011)
- Other Expenses (12.8%) – reflects lower sales volume (credit card commissions, deliveries, etc.) with some cost efficiencies benefit

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Funds Employed



	1H12	1H11
	\$m	\$m
Inventory	254.7	263.8
Payables	<u>(230.6)</u>	<u>(221.7)</u>
	24.1	42.1
Receivables - Current	33.3	34.5
Other Creditors - Current	<u>(26.6)</u>	<u>(36.9)</u>
Working Capital	30.7	39.7
Receivables - Non-Current	0.3	0.3
Other Creditors - Non-Current	(34.4)	(36.3)
Fixed Assets	<u>853.5</u>	<u>818.8</u>
Total Funds Employed	850.2	822.5
Net Tax Balances	<u>32.3</u>	<u>34.0</u>
Net Assets Employed	882.5	856.5
Cash	18.5	16.7
Borrowings	<u>(98.0)</u>	<u>(93.0)</u>
Total Equity	803.0	780.2

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Financing Analysis



	1H12	1H11
	\$m	\$m
Net Interest as per ASX Release	5.0	3.5
Interest income	0.2	0.3
Other	-	0.1
Total Financing Expenses as per 4D	5.2	3.9

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CODB Reconciliation



	1H12	1H11
	\$m	\$m
GP as per statutory P&L	382.8	429.9
PBT as per statutory P&L	120.8	150.1
Total Costs as per stat P&L, net of other revenues	262.0	279.8
Financial Services Result	24.5	22.8
Net Interest	(5.0)	(3.5)
CODB for Department Stores	281.5	299.0

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Note: The Company's auditor Ernst & Young has provided a review statement in relation to specific matters pertaining to certain non-IFRS financial measures (such as 'Cost of Doing Business (CODB)' and 'Aged Inventory') for management's purposes.

21 March 2012