



DAVID JONES LIMITED

# 1H13 RESULTS & FUTURE STRATEGIC DIRECTION PLAN UPDATE

20 MARCH 2013

PRESENTED BY

**PAUL ZAHRA CEO & BRAD SOLLER CFO**

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*David Jones*  
**JONES**





## PRESENTATION OUTLINE

- Results Highlights
- Financial Overview
- Future Strategic Direction Plan Update

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# KEY ACHIEVEMENTS

- Good progress made in implementing Future Strategic Direction Plan – all initiatives delivered in line with communicated timetable
- Growth in our Fashion & Beauty categories
- Youth, Luxury & Australian Designer categories delivered strong double digit growth
- Reduced discounting evidenced in 110 Gross Profit (GP) Margin improvement
- Successful launch of new:
  - webstore with ~90,000 SKUs
  - mobile store
  - iPad App
- New Highpoint (VIC) store opened – “Next Generation Store”
- More than 50% of international brands approached have commenced harmonising prices
- New Point of Sale system rolled out to 70% of store network
- Investment in customer service delivered best ever ‘Mystery Shopper’ results\*

\*Independent market research firm - The Realise Group



## RESULTS OVERVIEW

- Retail conditions have remained challenging
- Total Sales down 0.7% on 1H12 - Company has focussed on improving Gross Profit Margins
- Gross Profit Margin increased by 110bp to 39.0%
- Ongoing investment in implementing the Future Strategic Direction Plan
- PAT \$73.5m - down 13.5% on 1H12
- Strong balance sheet, low debt and solid cash flows
- Interim dividend of 10 cps fully franked

# PROFIT SUMMARY

	1H13 \$m	1H12 \$m	Change %
Sales	1,003.8	1,011.2	(0.7)
Gross Profit	391.1	382.8	2.2
Cost of Doing Business	(306.5)	(281.5)	8.9
EBIT Department Stores	84.6	101.3	(16.5)
EBIT Financial Services	24.5	24.5	-
EBIT Total	109.1	125.8	(13.3)
Net Interest Expenses	(4.8)	(5.0)	(4.5)
Profit Before Tax	104.3	120.8	(13.7)
Income Tax Expenses	(30.8)	(35.8)	(14.0)
Profit After Tax	73.5	85.0	(13.5)
	1H13	1H12	Change
EBIT to Sales	10.9%	12.4%	(1.5)
PAT to Sales	7.3%	8.4%	(1.1)

## SALES – DEPARTMENT STORE BUSINESS

	1H13	1H12	Change
Sales	\$1,003.8m	\$1,011.2m	(0.7%)

- 1H13 Sales down 0.7% on 1H12
- Fashion & Beauty categories delivered sales growth
- Offset by declines in sales in the Home categories
- Categories such as Electronics were adversely impacted by deflation
- Youth, Luxury & Australian Designer categories delivered double digit sales growth
- Focus on margins

# GROSS PROFIT – DEPARTMENT STORE BUSINESS

	1H13	1H12	Change
Gross Profit	\$391.1m	\$382.8m	\$8.3m
Gross Profit Margin	39.0%	37.9%	110bps

- Gross Profit increased by \$8.3 million
- GP Margins increased by 110bps to 39.0%
- This primarily reflects the Company's focus on:
  - Reducing the quantum & breadth of discounting
  - Renegotiated supplier trading terms

# COST OF DOING BUSINESS – DEPARTMENT STORE BUSINESS



	1H13	1H12	Change
CODB	\$306.5m	\$281.5m	\$25.0m
CODB Ratio *	30.5%	27.8%	270bp

\* CODB as a percentage of Sales

- Increase in CODB reflects:
  - Cost of implementing Future Strategic Direction Plan
  - Continued investment in customer service
  - Increased labour costs (including provision for Incentive Scheme given no significant payment in FY11 & 12)
  - Rising utilities costs
  - Increasing rent & occupancy costs
- CODB included \$11m of one-off/non-recurring costs in 2H12 and \$1m of one-off/non-recurring costs in 1H13 incurred in implementing the Future Strategic Direction Plan



# INVENTORY – DEPARTMENT STORE BUSINESS

	1H13	1H12	Change
Closing Inventory	\$254.0m	\$254.7m	(0.3%)

- Strong focus on inventory management
- Closing inventory down 0.3% on 1H12, despite the increased investment in inventory for online store
- Aged inventory in line with Company's benchmark of 5%

## EBIT – FINANCIAL SERVICES

	1H13	1H12	Change
EBIT	\$24.5m	\$24.5m	0%

- Financial Services 1H13 EBIT in line with previous guidance
- Continued investment to drive acquisitions
- Investment in growth opportunities included:
  - Launch of the David Jones American Express Platinum Card in August 2012
  - Introduction of Qantas Frequent Flyer points as a rewards option on the David Jones American Express Platinum and Gold cards
  - Increase in number of in-store card member events and promotions

# CASH FLOWS

	1H13 \$m	1H12 \$m	Change %
Operating	114.3	150.8	(24.2)
Investing	(34.4)	(45.3)	(24.1)
Dividend Paid	(28.8)	(64.8)	(55.6)
<b>Net Cash Flow</b>	<b>51.1</b>	<b>40.7</b>	<b>25.5</b>

- Strong underlying operating cash flows
- Focus on working capital released \$14m to cashflows
- Continued investment in Capex with annual spend expected to be ~\$80m for FY13
- Dividend paid reflects FY12 Final Dividend

# FINANCIAL HEALTH



	1H13	1H12	Change
Net Debt	\$64.3m	\$79.5m	(19%)
Net Debt: Net Debt + Equity	7.3%	9.0%	(1.7%)
EBITDA Interest Cover *	18.4	30.5	(12.1)
EBITDAR Fixed Charge Cover *	2.9	3.7	(0.8)
ROE (13 month average) **	11.3%	18.9%	(7.6%)

\* Calculated over a rolling 12 month period

\*\* Calculated as Profit After Tax for a rolling 12 month period over a 13 month average of Shareholder Equity

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## DIVIDEND

- High dividend payout ratio as funds returned to shareholders
- No change to dividend policy – payout of not less than 85% of Full Year PAT
- Interim Dividend of 10 cps, fully franked

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TURNING NOW TO THE  
**COMPANY'S FUTURE  
STRATEGIC DIRECTION  
PLAN UPDATE**



# FUTURE STRATEGIC DIRECTION PLAN UPDATE - Overview



- Significant progress has been made in:
  1. Addressing structural changes faced by the retail sector
  2. Strengthening our core business
  3. Enhancing our store network
  4. Building a sustainable Financial Services business
- Update on Property Portfolio



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# 1. ADDRESSING RETAIL STRUCTURAL CHANGES

- To address the structural changes currently taking place in the retail sector (in particular online & the globalisation of retailing) we have invested resources in two key areas:
  - **Omni Channel Retailing**
  - **Cost Price Harmonisation**

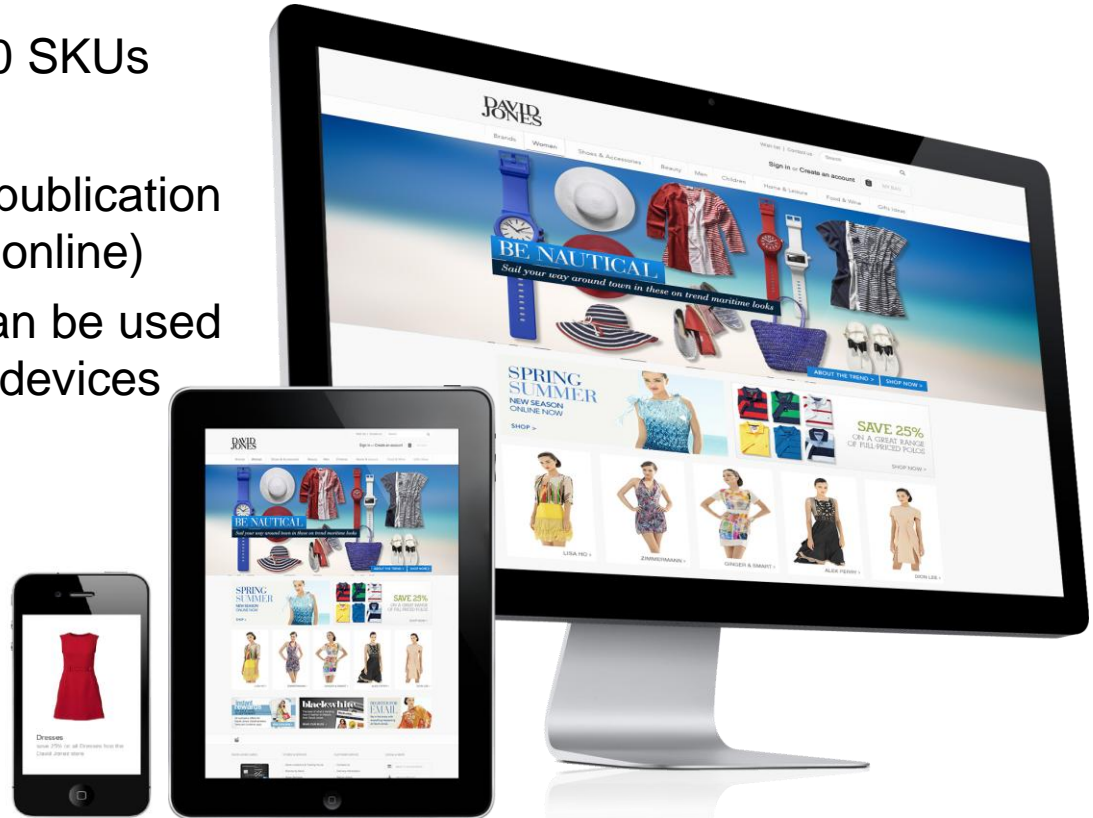


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# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Omni Channel Retailing

- In 1H13 we launched:
  - New webstore with ~90,000 SKUs
  - Mobile store
  - iPad App (a content rich publication with the ability to purchase online)
  - Store booking tool which can be used across all channels and all devices



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# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Omni Channel Retailing



- In 2Q13 (following launch of our new webstore on 6 Nov 2012) our online business achieved:

## Sales

- 288% increase in sales on 2Q12. Online sales in 2Q13 were double the entire sales achieved in FY12
- Best performing online categories were Womenswear & Small Appliances

## Visits

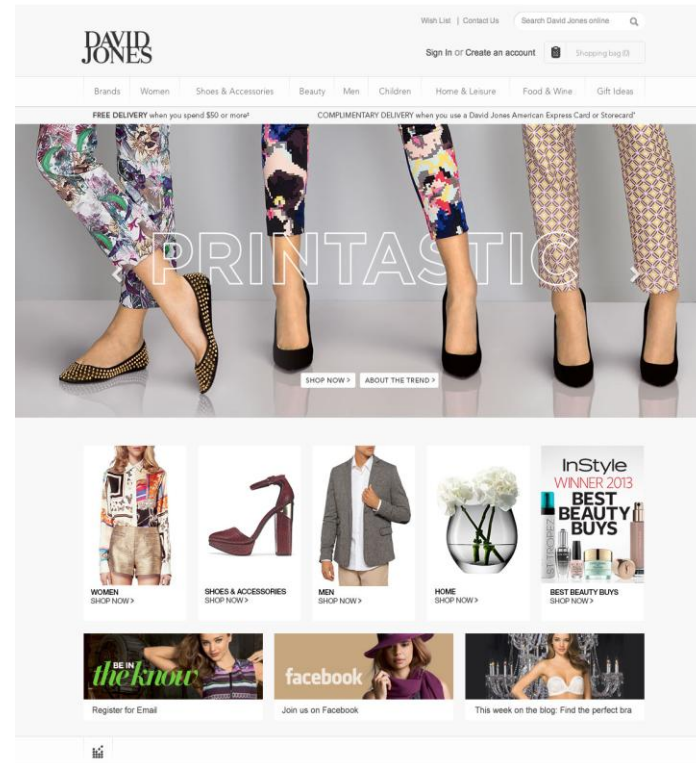
- Visitor numbers doubled to 5.4 million visits during 2Q13

## Average order size (AOS)

- Online AOS ~ 3 x the average in-store transaction value

## Site performance

- Robust platform over Christmas & Clearance
- Tablet and mobile sites proved popular accounting for over one-third of traffic



# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Omni Channel Retailing

## Digital Marketing

### ▪ Social Media

- Over 400,000 digital contacts
  - 20,000 views of the Autumn/Winter 2013 Collections Launch live stream
  - Facebook 218,000
  - Twitter 11,000
  - Instagram 20,000
  - Pintrest 1,000
  - Black & White blog with 25,000+ readers each month

### ▪ Email Acquisition

- In February 2013 email provider, “Exact Target” appointed. Exact Target is one of the world’s leading providers for email and CRM platforms working with international brands such as GAP, Nike, Sears and Burberry
- With the launch of our new online store in November, the appointment of Exact Target and the completion of POS rollout we have the IT infrastructure to support rapid email acquisition
- From our existing base of ~200,000 we are targeting 2 million email addresses over time
- Email acquisition provides an excellent opportunity to deliver a significantly improved customer experience through relevant target marketing to our most engaged customers

# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Omni Channel Retailing



- Over the next 12 months we will be focussing on the introduction of new functionality including:
  - Click & Collect
  - Incremental delivery options
  - Social commerce
  - Customer ratings & reviews
  - Shoppable videos
  - The option to purchase online from our gift registry
- We continue to invest in digital marketing including digital display advertising & SEO



# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Omni Channel Retailing



## REPORT CARD: OCR

OBJECTIVES	PROGRESS
<p><b>Foundation</b></p> <ul style="list-style-type: none"> <li>• Build scalable physical infrastructure - Fulfilment Centre, Production House &amp; Call Centre</li> <li>• Implement Integrated Systems Platform - new content management system, new order management system, new warehouse management system, new systems controlling product, price, promotions, inventory &amp; reporting across all channels</li> <li>• Realignment of internal processes</li> <li>• Restructure of people skill set</li> </ul>	<p>Completed Completed</p> <p>Completed Completed</p>
<p><b>Launch</b></p> <ul style="list-style-type: none"> <li>• Launch integrated blog “Black &amp; White”</li> <li>• Implement content strategy for blogging team</li> <li>• Move towards integrated marketing across all channels with a focus on digital display advertising, SEO, QR codes, and presence on social network sites such as Facebook, Pinterest and Instagram</li> <li>• Launch webstore</li> </ul>	<p>Completed Completed Achieved &amp; continuing</p> <p>Completed</p>
<p><b>Extension</b></p> <ul style="list-style-type: none"> <li>• Launch mobile store</li> <li>• Launch iPad application</li> <li>• Launch store booking tool across all channels &amp; devices</li> <li>• Launch Click &amp; Collect</li> <li>• Offer incremental delivery options</li> <li>• Social commerce</li> <li>• Customer ratings &amp; reviews</li> <li>• Shoppable videos</li> <li>• Ability to purchase online from our gift registry</li> <li>• Email Acquisition Strategy</li> </ul>	<p>Completed Completed Completed On track On track On track On track On track On track On track</p>

# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Cost Price Harmonisation

- Approximately 30% of our sales are impacted by international cost price differentials
- We have a detailed work program to address this issue with suppliers
- Good progress has been made to date in addressing cost price differentials
- Price harmonisation negotiations cover both existing & new brands in our business
- We identified ~250 international brands that require price harmonisation discussions
- We have commenced discussions with the majority of these brands
- 50% of the brands approached are harmonising their prices
- Maintained our GP Margin Percentage
- Sales growth has more than offset the deflationary impact of price harmonisation



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# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Cost Price Harmonisation

- Examples of brands that have recently reduced their prices include:

Chantelle  
PARIS

T  
ALEXANDER WANG

Levi's

la prairie  
SWITZERLAND



SCOTCH & SODA  
AMSTERDAM COUTURE

♠  
kate spade  
NEW YORK

dermalogica®  
a skin care system researched and developed by The International Dermal Institute

sisley  
PARIS

HILFIGER  
DENIM

DOLCE & GABBANA

J BRAND

BOBBI BROWN

D  
DANNIJO

極度乾燥(しなさい)  
Superdry.

DIESEL  
FOR SUCCESSFUL LIVING

REED KRAKOFF

DMF  
DIANE von FURSTENBERG

-KENNETH COLE-

Paul Smith

MOTHER  
MOTHER DENIM WERKS

rag & bone  
NEW YORK

ANNICK GOUTAL  
PARIS

# 1. ADDRESSING RETAIL STRUCTURAL CHANGES – Cost Price Harmonisation

- A regular update of retail price reductions is available for customers on David Jones' website
- We have embarked on a customer communication campaign informing the public of retail price reductions as a result of our price harmonisation program
- Advertisements in-store and in national press

**LOWER EVERYDAY PRICES ON BRANDS YOU LOVE.**

**Our promise is to work with our brand partners to reduce everyday prices.**

At David Jones, we know our valued customers love the best brands. And making them as accessible as possible is our priority. That's why we've been working and will continue to work with our brand partners to reduce prices across the store.

Right now, the prices on hundreds of products from international brands have been reduced by up to 50 per cent. Not temporary savings, but lower everyday prices.

So when you come into our store, we're sure you'll be delighted by the new lower everyday prices on brands such as Lancôme, Clarins, Chantelle, Nudie Jeans Co. and more. We are also working with our new brand partners so that you enjoy lower everyday prices this season on new brand additions such as Rag & Bone, Current/Elliott and Reed Krakoff. And there are more to come.

Our promise is to offer competitive prices and match those of Australian retail stores and their online sites. Should you find a lower price for the same product elsewhere prior to your purchase, we'll happily match it.\*

For our price policy and a list of brands and regular updates on their new everyday prices visit [davidjones.com.au/ourpromise](http://davidjones.com.au/ourpromise)

**OUR PROMISE**

\*This is matching only takes place where Australia is situated and any other country has the lowest price and the product is available in our company store at the company's price for a product in such a case we will meet the lowest price. The application of this promise is subject to our store's opening hours, including the store's legal trading hours, and is not available in all stores.

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DAVIDJONESSTORE

Advertisement run 15 March 2013



## 2. STRENGTHENING OUR CORE BUSINESS

- To strengthen our core business we have invested resources in:
  - Customer Service & Engagement
  - Securing the best National & International Brands
  - Improving our GP Margins
  - CODB efficiencies
  - Technology



Philosophy Pop-Up Store



David Jones Personal Shopping Service



David Jones Bridal Boutique

## 2. STRENGTHENING OUR CORE BUSINESS – Customer Service

- Continued investment in service
- Increased frontline staff hours relative to sales
- Customer compliments up 12% on last year
- Service complaints down 17% on last year
- “Mystery Shopper”\* survey shows best ever service levels
- Introduction of Style Advisors very successful - 72% higher sales per hour than average frontline staff
- Focus on improving frontline staff productivity through enhanced reporting of transaction value, units sold and management individual staff performance
- Personal Shopping Service delivered a 70% increase in sales in its second year of operation
- Launch of Digital Gift Cards



\*Independent market research firm - The Realise Group

## 2. STRENGTHENING OUR CORE BUSINESS – Customer Service

- New Point of Sale (POS) system successfully rolled out to all stores in NSW, QLD & VIC. Roll-out in SA & WA to be completed before July 2013
- Benefits of our new POS system include:
  - Reduction in transaction times by ~ 50%, freeing up staff to serve customers
  - Barcoded register receipts enabling faster refunds
  - Introduction of gift receipts
  - Faster cash transactions (predictive cash tender)
  - Touch screen technology
  - Less paper through the removal of docketts
  - Energy efficient hardware providing a 30% reduction in power consumption
  - Provides platform for further enhancements eg. access to inventory at POS & emailed receipts



New Point of Sale (POS) touch screen

## 2. STRENGTHENING OUR CORE BUSINESS – Customer Service

- In addition we have launched our new ‘Next Generation Store’ concept at our recently opened Highpoint (VIC) store
- This concept offers additional customer services such as
  - Customer WiFi
  - Traffic analytics
  - Customer charging stations (mobile devices)
  - Customer seating
- 20% more efficient energy and labour usage
- ‘Next Generation Store’ concept will continue to be rolled out as part of our new store and refurbishment programs



Customer seating – Highpoint (VIC) store

## 2. STRENGTHENING OUR CORE BUSINESS – Customer Engagement

- To increase customer engagement we continue to invest in new in-store events including:
  - Sculptures by the Sea on Seven
  - Agent Provocateur launch
  - Pop-up designer stores on Seven
  - Diane Von Furstenberg in-store
  - SKII Launch with Kate Bosworth
  - Lord Wedgewood in-store
  - Ella Bache & Madison magazine
  - DJs @ DJ's (ARIAs)



Sculptures by the Sea on Seven



Diane Von Furstenberg in-store



Lord Wedgewood in-store

## 2. STRENGTHENING OUR CORE BUSINESS – New Brands

- More than 300 new brands introduced over the past 26 months
- 86 new brands signed up over the past 6 months including:

### International Brands:

- Agent Provocateur
- Cheap Monday
- Tibi
- Alexander McQueen
- Rag & Bone
- J Brand Ready-to-Wear
- Proenza Schouler
- T by Alexander Wang
- CURRENT/ELLIOTT
- Zadig & Voltaire
- Maison Scotch Denim
- Reed Krakoff
- DANNIJO
- Diane Von Furstenberg
- Pringle of Scotland
- Victoria by Victoria Beckham
- Little Marc Jacobs
- CHURCHES
- Philosophy

### Australian Designers:

- Rachel Gilbert
- Banjo & Matilda
- Akin
- Shoes of Prey



Agent Provocateur



Rachel Gilbert



Alexander McQueen

## 2. STRENGTHENING OUR CORE BUSINESS – GP Margins

- GP Margins improved by 110bps in the period due to:
  - Reduced depth & breadth of discounting - in 2Q13 reduced duration of tactical events by 30% and quantum of discount by 5%
  - Renegotiated vendor trading terms
- Further GP improvement through:
  - Exit of low productivity categories - DVDs, Music, electronic games
  - Changing category mix by increasing space for higher margin categories – 75% Fashion & Beauty vs. 25% Home
  - Increasing our private label business in line with our international peers from 3.5% of sales to 10%

**SAVE 25%**  
on all full-priced women's swimwear

**SAVE 25%**  
on full-priced handbags and wallets from Milano, Tony Bianco, RMK, Spencer & Rutherford, Kardashian Kollection, Guess, Orton, Cellini, Callini Sports, Fossil, Agenda, Annapelle, Minkpink, Joan Weiss and many more.

**SAVE 30%**  
when you buy two or more\* full-priced men's underwear from Bonds, Calvin Klein, Macpherson Men, Orton, Holeproof, Jockey, Mitch Dowd and more.

**love free delivery**  
ONLINE UNTIL 14 DECEMBER 2012

**love christmas**  
*Hurry, these offers end Sunday*

**SAVE 20%**  
on full-priced toys from Lego, Barbie, Fisher-Price, Thomas & Friends, Lamaze, Furreal Friends, Star Wars, Vecch, Spiderman, Batman, Monster High, Hotwheels, Baby Born, Lalaloopsy, and many more.

**SAVE 30%**  
when you spend \$50 or more\* on a great range of full-priced cookware, kitchenware, dinnerware, drinkware and cutlery.

**SAVE 15%**  
when you spend \$1000 or more\* on full-priced laundry appliances, refrigerators, wine cabinets, dishwashers, microwave ovens and cooking appliances.

**CHRISTMAS TRADING HOURS:**

**TODAY AND TOMORROW**  
The West Street, Lynton Street, South & Northend Christmas Closes open 9:30am close 7pm, all other stores open 9:30am close 6pm.

**THURSDAY**  
All stores open 9:30am close 7pm.

**FRIDAY**  
South & Northend, Lynton Street open 9:30am close 7pm, all other stores open 9:30am close 7pm.

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## 2. STRENGTHENING THE CORE BUSINESS – CODB

- CODB initiatives implemented over the past 6 months include:
  - Waste management – introduction of standard waste equipment across all stores to reduce number of waste collections required by store
  - Renegotiation of non-merchandise contracts
  - Support Centre labour cost savings following restructure in FY12
  - Energy Efficiency projects have reduced consumption by 6.7% in 1H13 (eg. spotlights replaced with energy efficient LED equivalents)
  - Ongoing savings generated from stocktake consolidation and the introduction of scanners and consolidation of our Gift Registry business
- Savings to be generated by CODB initiatives will go some way to offsetting expected cost increases in labour, utilities and property
- Our CODB initiatives are all ‘back of store’ and do not adversely impact the customer experience



## 2. STRENGTHENING THE CORE BUSINESS – Technology

- Capex in FY12 & FY13 reflects increased weighting to technology system developments which will drive cost efficiencies
- Examples include our new webstore and Point of Sale system
- New projects include:
  - Rebate Management Tool
  - Merchandise Planning Tool
  - Traffic Analytics
  - Work Force Management
  - Customer Data Analytics



New Point of Sale System (POS)

## 2. STRENGTHENING THE CORE BUSINESS



### REPORT CARD – Core Business

OBJECTIVE		PROGRESS
<b>Customer Service &amp; Engagement</b>	<ul style="list-style-type: none"> <li>Increased store staff hours relative to sales</li> <li>Create 100 new floor staff supervisor roles</li> <li>Create 200+ new Style Advisor and Sales Specialist roles</li> <li>Improved Customer Service</li> <li>Roll-out of new Point of Sale (POS) system</li> <li>Roll-out of 'New Generation Store' concept</li> <li>Launch of new Digital Gift Card</li> </ul>	<p>Achieved &amp; ongoing</p> <p>Completed</p> <p>Completed</p> <p>Best ever Mystery shopper customer service results</p> <p>On track to be completed by 31/07/13</p> <p>Achieved &amp; ongoing</p> <p>Completed</p>
<b>Securing the best National &amp; International brands</b>	<ul style="list-style-type: none"> <li>Introduced 300+ new brands over past 26 months</li> </ul>	<p>Ongoing</p> <p>(Introduced 86 new brands in 1H13)</p>
<b>Improve GP Margins</b>	<ul style="list-style-type: none"> <li>GP Margins increased</li> </ul>	<p>Ongoing</p> <p>(Increased by 110bp in 1H13)</p>
<b>CODB Effectiveness</b>	<ul style="list-style-type: none"> <li>Savings from CODB initiatives</li> </ul>	<p>On track</p>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Rebate Management Tool</li> <li>Merchandise Planning System</li> <li>Workforce Management System</li> <li>Traffic Analytics</li> <li>Customer Data Analytics</li> </ul>	<p>On track</p> <p>On track</p> <p>On track</p> <p>On track</p> <p>On track</p>

### 3. ENHANCING OUR STORE NETWORK – New Stores

- Successful opening of our new Highpoint (VIC) store this month – customer feedback has been excellent
- Our village format Malvern (VIC) store is on track to open in 2H calendar 2013
- Our new Indooroopilly (QLD) store is on track to open in FY14
- Our new Macquarie Centre (NSW) store is on track to open in FY15
- Our store portfolio plans are aligned to our OCR strategy and all of our new stores are in attractive demographic locations



Artist's impression of the new Highpoint (VIC) store



Artist's impression of the new Malvern (VIC) store

### 3. ENHANCING OUR STORE NETWORK – Lease Expiries

- All 37 stores in our portfolio are profitable
- Over the next 5 years the following leases (in less robust demographics) expire:
  - Birkenhead Point, Outlet store (NSW) (Sept 2014)
  - Harbour Town, Outlet store (QLD) (June 2015)
  - Wollongong Home store (NSW) (Oct 2015)
  - West Lakes (SA) (Dec 2015)
  - Glen Waverley (VIC) (April 2016)
  - Macarthur Square (NSW) (April 2017)
- These lease expiries give us the opportunity to review our store portfolio in light of our broader OCR strategy

### 3. ENHANCING OUR STORE NETWORK – Refurbishments

- Capex has been budgeted for the ongoing refurbishment of stores enabling us to improve our Category Mix
- Canberra Centre (ACT) and Bondi Junction (NSW) stores to be refurbished over the next 12 months
- Over the past 15 months we have refurbished the following stores:
  - Elizabeth & Market Streets (NSW)
  - Chadstone (VIC)
  - Marion (SA)
  - Warringah Mall (NSW)
  - Toowong Village (QLD)
- Our store portfolio is in good shape



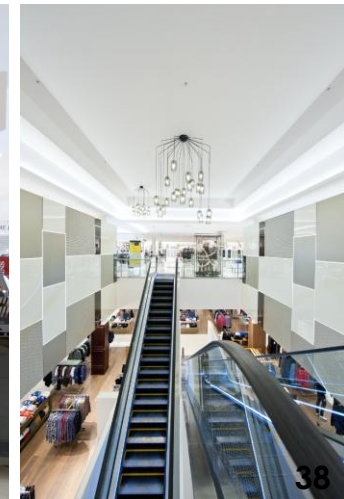
Chadstone (VIC)



Toowong Village (QLD)

### 3. ENHANCING OUR STORE NETWORK – Improving Productivity

- A key focus is to improve our Productivity
- On average 76% of the Gross Lettable Area (GLA) across our store portfolio is “selling space”
- We are working towards improving this to 85% of selling space through our New Store and Refurbishment programs
- Our new Highpoint (VIC) store reflects the 85% selling space target
- We also aim to have a 75:25 category mix split between Fashion & Beauty and Home
- Sales per sq.m in 1H13 were \$1,812
- GP Margin per sq.m in 1H13 was \$706.70



### 3. ENHANCING OUR STORE NETWORK



#### REPORT CARD – Property Portfolio

OBJECTIVES		PROGRESS
<b>New Stores</b>	<ul style="list-style-type: none"> <li>• Highpoint (VIC)</li> <li>• Malvern (VIC)</li> <li>• Indooroopilly (QLD)</li> <li>• Macquarie Centre (NSW)</li> </ul>	<p>Opened 14 March 2013</p> <p>On track to open FY14</p> <p>On track to open FY14</p> <p>On track to open FY15</p>
<b>Refurbishments</b>	<ul style="list-style-type: none"> <li>• Elizabeth &amp; Market Streets (NSW)</li> <li>• Toowong Village (QLD)</li> <li>• Marion (SA)</li> <li>• Warringah Mall (NSW)</li> <li>• Chadstone (VIC)</li> <li>• Bondi Junction (NSW)</li> <li>• Canberra Centre (ACT)</li> </ul>	<p>Completed (October 2012)</p> <p>Completed (September 2012)</p> <p>Completed (November 2011)</p> <p>Completed (October 2011)</p> <p>Completed (September 2011)</p> <p>On track for FY13</p> <p>On track for FY14</p>

## 4. BUILDING A SUSTAINABLE FINANCIAL SERVICES BUSINESS

- In FY14 the David Jones/American Express alliance converts to a sharing of underlying profit
- FY13 EBIT from Financial Services will be flat, as the Company has invested to grow its card base. (Eg. Launch of David Jones American Express Platinum Card & new Qantas Frequent Flyer points reward option)
- A new rewards program (including Qantas Frequent Flyer points) will be made available to store card holders in FY13
- The Company expects the FY14 EBIT from its Financial Services business to be broadly half the EBIT contribution in FY13, this is in line with guidance provided on 21 March 2012

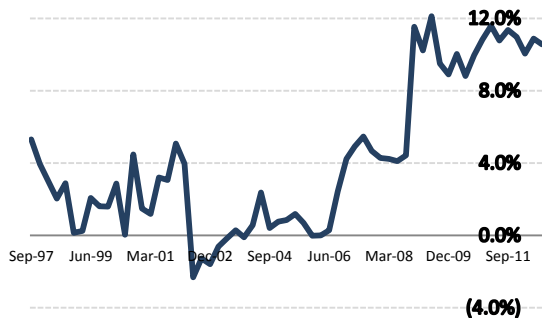




## 4. BUILDING A SUSTAINABLE FINANCIAL SERVICES BUSINESS – Macro Economic Environment



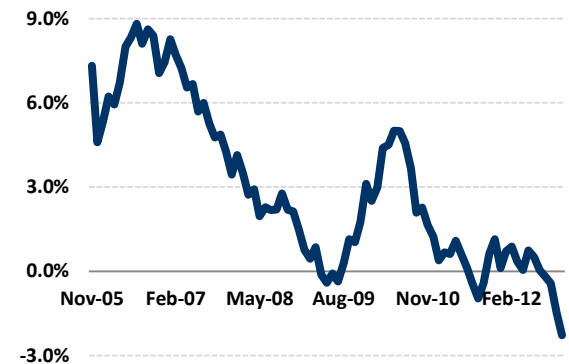
Household Saving Ratio



Growth in “Other Personal” Credit



Balance growth per account



- Household savings have remained stable at 10% - 11% throughout 2012 with no signs of dropping to the pre 2009 levels of approximately 4%
- Growth in other personal credit has declined significantly and has been negative since August 2011
- Balance growth per account declined sharply reflecting household preference to repay debt and increase savings

Source: RBA Website - accessed 25<sup>th</sup> January 2013

## 4. BUILDING A SUSTAINABLE FINANCIAL SERVICES BUSINESS – The David Jones Portfolio

- **David Jones Cards**
  - ~380,000 active cards
- **David Jones American Express Cards (Platinum & Gold)**
  - 2.5% increase in active cards in 1H13 vs pcp
  - 80% of expenditure outside David Jones
- **Income Drivers**
  - Annual fees paid on David Jones American Express Cards
  - Interest on revolving balances
  - Receivables \$374m as at 1H13
  - Merchant service fees
- **Other Benefits of the Card Portfolio**
  - 1 in 5 in-store transactions undertaken on a David Jones card
  - Provides valuable customer data



# PROPERTY UPDATE



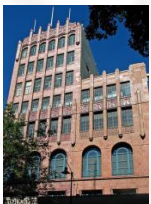
Elizabeth Street  
*Sydney*



Market Street  
*Sydney*



310 Bourke Street  
*(Womens Store)*  
*Melbourne*



299 Bourke Street  
*(Mens Store)*  
*Melbourne*

- In 2012 Cushman & Wakefield concluded that the potential worth of the Company's Sydney & Melbourne CBD store properties is \$612 million
- This equates to \$1.15 per share and does not include the airspace development potential of these sites
- The Company is continuing to explore options to unlock the airspace value whilst still retaining ownership of the four properties and operating the existing department store business
- Priority has been given to the two Sydney sites as it is felt these have the greatest potential
- CB Richard Ellis has been appointed to assist the Company in extracting the maximum value from its two Sydney CBD assets
- This exercise is complex and will take time

# CONCLUSION

- Significant progress made over the past 12 months in implementing the Company's Future Strategic Direction Plan – we have delivered on Plan initiatives within communicated timetable
- We are confident the investment we are making provides us with a strong, sustainable business model. Whilst we have made good progress there is more to be done
- We are focussed on improving our sales, margin and labour productivity per sq.m
- David Jones continues to have a:
  - Distinctive competitive position
  - Strong balance sheet
  - Solid cash flows
  - Ownership of its Sydney and Melbourne CBD flagship store properties
  - High dividend payout ratio





## **IMPORTANT NOTICE**

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the Company, industry growth, trend projections, outlook, guidance, indications of plans, strategies and objectives of management are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties which are outside the control of the Company that may cause actual results to differ materially from those expressed or implied by these forward looking statements. The Company assumes no obligation to update or review any forward looking statements, whether as a result of new information or future events.

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The Company's auditor Ernst & Young has provided a review statement in relation to certain non-IRFS financial measures included in this presentation. These measures are Cost of Doing Business (CODB), Net Debt, ROE, EBITDA and EBITDAR.



End

DAVID  
JONES