



19 MARCH 2014

1H14 RESULTS & FUTURE STRATEGIC DIRECTION PLAN UPDATE

PRESENTED BY

PAUL ZAHRA - CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

BRAD SOLLER - CHIEF FINANCIAL OFFICER

DAVID JONES

PRESENTATION OUTLINE

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

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RESULTS HIGHLIGHTS

- Future Strategic Direction Plan continues to gain momentum
- Department Store EBIT +8.3%
- Return to LFL Sales growth (1H14: +1.1% LFL Sales)
- Online and new stores delivering incremental sales growth
- Transaction Numbers and Average Transaction Value have returned to growth
- GP Margins percentage to sales flat on last year
- Costs well managed – CODB down 30 bps
- No Net Debt, Strong Balance Sheet, Solid Cashflows

FINANCIAL HEADLINES

DEPARTMENT STORES	
Total Sales	+ 3.8 %
LFL Sales	+ 1.1 %
Gross Margin	Flat
CODB	- 30bps
EBIT	+ 8.3%
Inventory	- 11.5 %
Aged Inventory	< 5.0 %

FINANCIAL SERVICES	
EBIT	- 52.7 %
Cards on Issue	+ 4.0 %

COMPANY	
Earnings per share	- 5.8%
Return on Equity	+ 0.8 %

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PROFIT SUMMARY

	1H14 \$m	1H13 \$m	Change %
EBIT Department Stores	91.6	84.6	+ 8.3 %
EBIT Financial Services	11.6	24.5	(52.7 %)
EBIT Total	103.2	109.1	(5.5 %)
Net Interest Expenses	(3.5)	(4.8)	(28.4 %)
Profit Before Tax	99.7	104.3	(4.4 %)
Income Tax Expenses	(29.6)	(30.8)	(3.9 %)
Profit After Tax	70.1	73.5	(4.6 %)
	1H14	1H13	Change
Earnings per Share	13.1	13.9	(5.8%)
Return on Equity*	12.1%	11.3%	0.8%



- Department Store EBIT up by 8.3%
- Financial Services in line with guidance

*ROE represents the last 12 months trading (excluding the \$9.1m charge taken against inventory as a result of the Dick Smith transaction in 2H13) divided by the average equity over the last 13 months

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DEPARTMENT STORE EBIT

	1H14 \$m	1H13 \$m	Change %
Sales	1,042.3	1,003.8	+3.8 %
Gross Profit	406.1	391.1	+3.8 %
Cost of Doing Business	(314.5)	(306.5)	+2.6 %
EBIT Department Stores	91.6	84.6	+8.3 %
EBIT to Sales	8.8%	8.4%	+0.4%




- EBIT increased by 8.3% - driven by higher sales and continued focus on costs

DEPARTMENT STORE BUSINESS

TOTAL SALES

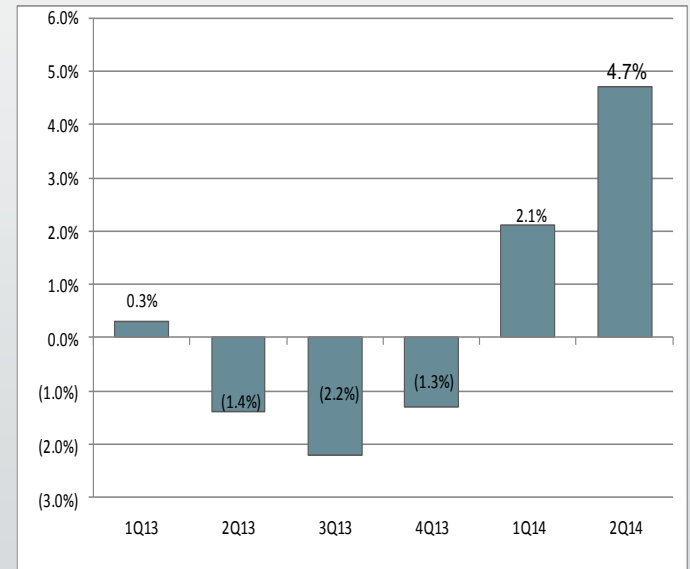
	1H14 \$M	1H13 \$M	Change %
TOTAL SALES	1,042.3	1,003.8	+3.8%

- Total Sales up 3.8%**
- New stores opened: Highpoint (VIC) 2H13 and Malvern Central (VIC) 1H14
- LFL Sales up 1.1%
- Improving sales trend
- Fashion, Beauty and Homewares performed strongly

 Significant improvement in sales tracking in FY14

**Includes accounting adjustments undertaken at 1H14

Total Sales*



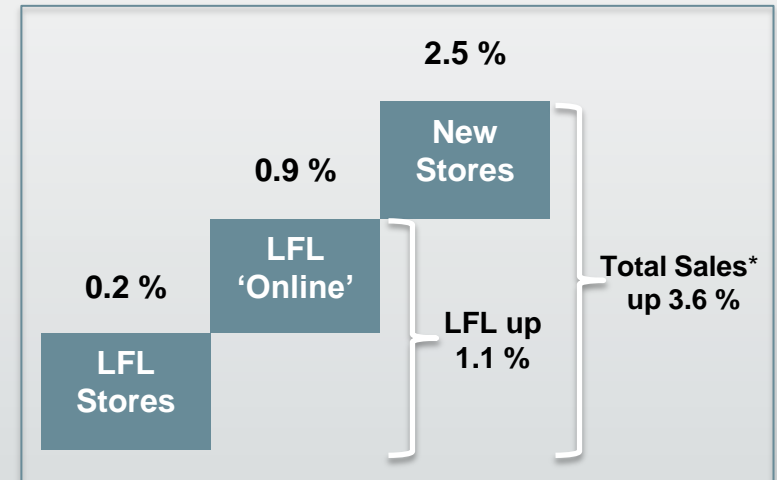
*As per quarterly sales announcement, excluding certain accounting adjustments

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DEPARTMENT STORE SALES

	1H14 \$M	1H13 \$M	Change %
TOTAL SALES	1,042.3	1,003.8	+3.8%

- Q2 cycled the launch of the new webstore
- Online Sales up 150% in Q2 and contributed 0.9% to LFL sales growth
- LFL sales growth from stores was +0.2%
- Electronics converted to an RBMA on 1 October 2013, excluding Electronics category LFL sales up 3.6% in 2Q14 and up 2.4% in 1H14
- The table on the right is prior to AIFRS and other accounting adjustments



 Positive LFL Sales growth in Q2

*As per quarterly sales announcement, excluding certain accounting adjustments

DEPARTMENT STORE BUSINESS

GROSS PROFIT

	1H14	1H13	Change
Gross Profit	\$406.1 m	\$391.1 m	\$15.0m
Gross Profit Margin	39.0%	39.0%	-

- Gross Profit increased by \$15.0 million
- Gross Profit Margin flat to 1H13
- Margin impacted by:
 - Aggressive discounting in the market pre Christmas and need to maintain a “share of voice”
 - Dick Smith converting to an RBMA agreement
 - Completing the exit from low productivity categories including Outdoor Furniture



Increased sales resulted in higher gross margin dollars

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DEPARTMENT STORE BUSINESS

COST OF DOING BUSINESS

	1H14	1H13	Change
CODB	\$314.5 m	\$306.5 m	\$8.0 m
CODB Ratio	30.2%	30.5%	(30bps)

- Focus on cost efficiency resulted in a 30bps improvement in CODB ratio
- Higher lease occupancy costs from new stores and rent increases
- Increased depreciation charges due to Capex on new technology
- These increases were offset by lower employee and marketing costs as well as efficiency savings in other areas
- Reduction in employee costs due to increase in RBMA (concession) business (eg. Conversion of Electronics category to an RBMA operated by Dick Smith) efficiency savings and the introduction of a STI deferral
- Marketing costs reduced as the company had more targeted tactical campaigns and shifted spend to digital campaigns



Costs tightly managed resulting in an improved CODB ratio

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DEPARTMENT STORE BUSINESS INVENTORY

	1H14	1H13	Change
Closing Inventory	\$224.8 m	\$254.0 m	(11.5%)
Aged Inventory	<5%	5%	n/a

- Closing Inventory down \$29.2m (11.5%)
- Prior year includes ~\$20 million of Electronics inventory transferred to Dick Smith
- Inventory reduction achieved despite opening two new stores (Highpoint and Malvern Central) and continued investment in online
- Aged Inventory below the Company's benchmark of 5%
- Reduction in Inventory levels generated positive cash flows



Inventory position well managed

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FINANCIAL SERVICES

EBIT

	1H14 \$m	1H13 \$m	Change %
EBIT	11.6	24.5	(52.7%)

- EBIT decline in line with previous guidance reflecting agreement with American Express converting to a profit sharing arrangement in FY14
- Full year EBIT decline expected to be in line with decline in 1H14



EBIT in line with previous guidance

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CASH FLOWS

	1H14 \$m	1H13 \$m	Change %
Operating	125.6	114.3	9.9%
Investing	(7.1)	(34.4)	(79.5%)
Dividend Paid	(31.4)	(28.8)	9.2%
Net Cash Flow	87.1	51.1	70.4%

- Strong underlying cash flows
- Focus on working capital released \$23.2m to cashflows
- Capex heavily weighted to back half of financial year
- 1H14 Capex is low due to landlords and supplier contributions recognised in 1H14
- Full year Capex expected to be around \$80m



Focus on working capital resulted in strong operating cash flows

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FINANCIAL HEALTH

	1H14	1H13	Change
Net Cash/(Debt)	\$0.7m	(\$64.3m)	-100%
Net Debt: Net Debt + Equity	(0.1%)	7.3%	-7.4%
EBITDA Interest Cover *	28.5	18.4	+10.1%
EBITDAR Fixed Charge Cover *	3.0	2.9	+0.1%
ROE (13 month average) **	12.1%	11.3%	+0.8%

* Calculated using the last 12 months trading (excluding the \$9.1m charge taken against inventory as a result of the Dick Smith transaction)

** Calculated as Profit after Tax for the last 12 months trading (excluding the \$9.1m charge taken against inventory as a result of the Dick Smith transaction) over a 13 month average of Shareholder Equity



Strong cash flows resulted in net cash position at half year.

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DIVIDENDS & DIVIDEND REINVESTMENT PLAN

Dividend

- No change in dividend policy
- Payout of not less than 85% of Full Year PAT
- Interim Dividend of 10 cps, fully franked (1H13:10 cps)

Dividend Reinvestment Plan

- DRP currently active but offers no discount for participation
- The DRP established in 2006 as a temporary measure when the Company repurchased its Sydney and Melbourne flagship CBD properties
- Cash from DRP no longer required by the Company
- DRP has been discontinued and will not be available to shareholders as from the FY14 interim dividend



High dividend payout ratio as funds returned to shareholders

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A woman with long dark hair, wearing a black long-sleeved dress with a polka-dot pattern and a sheer mesh overlay, stands in a garden. She is positioned on the right side of the frame, leaning slightly on a white wooden table. The background is a light blue wall with some greenery on the left and bottom. The overall scene is bright and outdoors.

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**FUTURE STRATEGIC
DIRECTION PLAN UPDATE**

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OVERVIEW

1. Department Store Business
2. Financial Services
3. Property

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1. DEPARTMENT STORE BUSINESS

Our Future Strategic Direction Plan continues to gain traction and momentum

It is enabling us to address:

- The structural changes that the retail sector is facing
- Drive growth from our core department store business



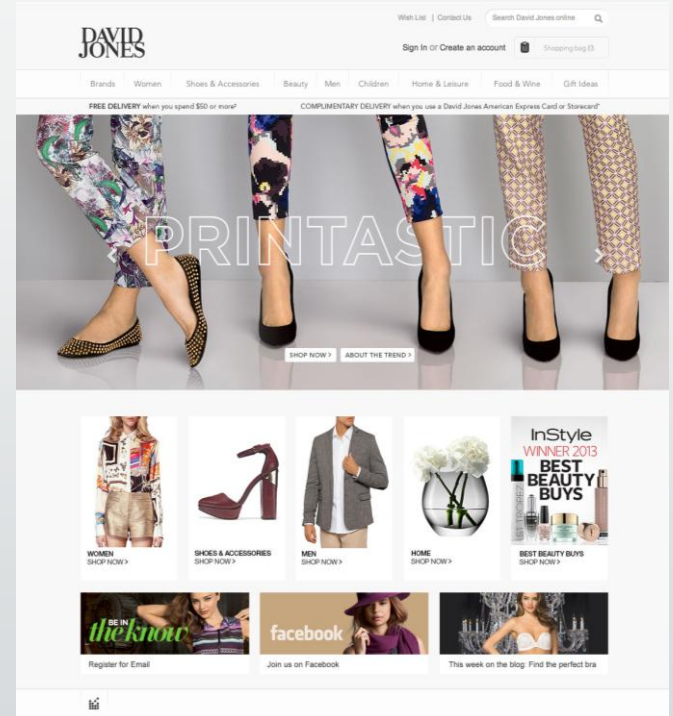
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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Omni Channel Retailing (OCR)

Online Sales

- Cycled the launch of our new webstore for the first time in November 2013
- 1H14 online sales grew by 220%
- 2Q14 online sales accounted for 2% of Total Sales
- 1H14 online sales result driven by:
 - **New services** - such as Click & Collect and Gift Registry Online
 - **New functionality** - such as shoppable videos, image zoom, product associations, ratings & reviews
 - **Range expansion** – up to 120,000 SKUs available in December 2013
 - **Increased traffic** – 75% increase in visitors in 1H14 vs. 1H13



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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Omni Channel Retailing (OCR)

Online Sales

Our target is for online sales to account for 10% of Total Company Sales by FY18

Online sales growth in 2H14 will be driven by:

- **New Functionality** – ‘Shop with Points’ for all American Express cardholders, including David Jones American Express
- **Improved website design** – easier navigation
- **Range expansion** – continued rollout online of new brands, concession brands and ‘big ticket’ merchandise
- **Use of affiliate & retargeting marketing** to drive traffic onto the David Jones’ website. These channels currently account for ~5% of web traffic, we aim to grow this to 10% - 15%



Online Receipt

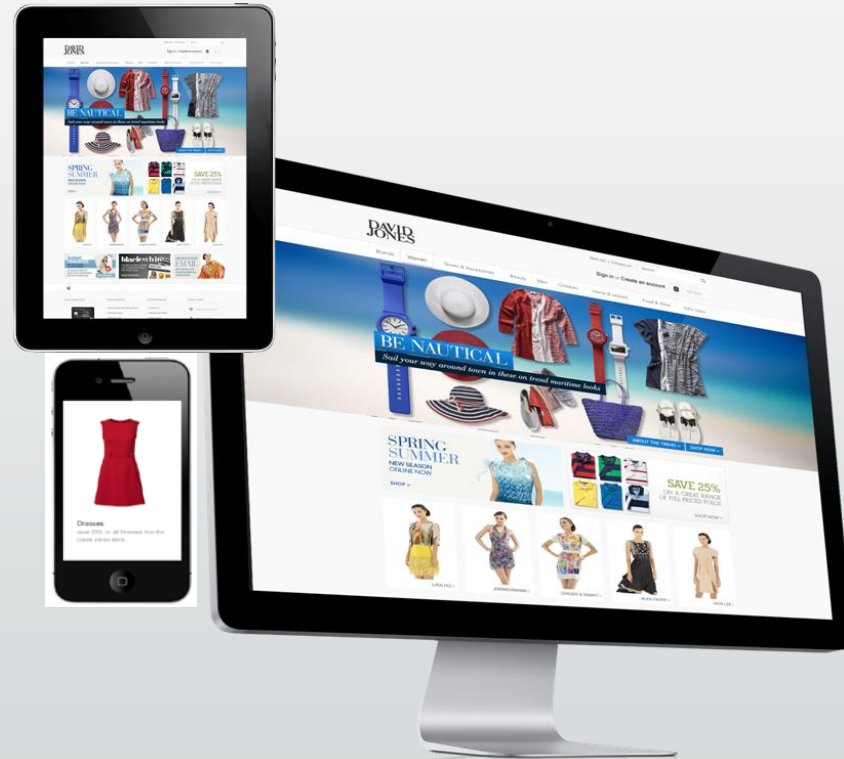
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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Omni Channel Retailing (OCR)

Online Performance

- Online site performed robustly and uninterrupted during the heavy traffic Christmas Clearance period
 - **98%** of orders dispatched within 24 hours during the all important Christmas period
 - **80%** of all calls to call centre answered within 20 seconds
 - Click & Collect launched in 2Q14 is very popular – it accounts for **9%** of all sales transacted online
 - Transaction value continues to be **3 times** the size of in-store transactions
 - Online conversion rate increased by **50%** in 2Q14 vs 2Q13



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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Omni Channel Retailing (OCR)

Digital Contacts

- Focus on growing digital contacts to deliver personalised & cost effective marketing
- On track to have 2 million digital contacts by FY15 (currently ~1 million digital contacts)
- Digital contacts provide foundation for our Customer Data Management (CRM) strategy
- We currently have:
 - Email: 670,000 addresses
 - Facebook: 265,000 fans
 - Instagram: 55,000 followers
 - Twitter: 18,000 followers
 - Pinterest: 2,000 followers
 - 30,000 views of the David Jones AW14 Fashion Launch
- In 1H14 we launched 24 digital catalogues



Instagram



Pinterest

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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Omni Channel Retailing (OCR)

Customer Data Analytics (CRM Program)

- Our planned CRM program will combine a number of key data points currently available in the business to provide a real time understanding of customers as they interact and shop with David Jones across all channels
- From 2015 we will provide customers with:
 - Relevant, targeted offers as they transact in-store
 - Relevant, targeted offers as they transact online
 - Personalised post purchase offers and purchase suggestions linked to spend history across all sales channels



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1. DEPARTMENT STORE BUSINESS

1.1 ADDRESSING STRUCTURAL CHANGE – Cost Harmonisation

- Cost Price Harmonisation now embedded in our business
- All new brands signed are price harmonised before they enter our business
- Retail price reductions have been offset by volume increases
- GP Margin percentage maintained throughout this process
- We are reclaiming market share from offshore online retailers eg. our Beauty business has experienced quarter on quarter growth
- Examples of key brand successes:

Brand/ Category	Historical Price Differential	Current Price Differential	Volume Increase since Price Reduction
DVF (Womens)	+20%	~10%	+30%
Boss Orange(Mens)	+25%	~10%	+35%
Paul Smith (Mens)	+20%	In line with international peers	+55%
Nudie (Denim)	up to 40%	~25%	+25%
Scotch & Soda (Denim)	up to 30%	In line with international peers	+20%

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS

- i. Growing Sales
- ii. Maximising Profit Margins
- iii. Managing Costs
- iv. Enhancing EBIT



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

We are driving sales growth by:

- Investment in Customer Service
- Targeting New Customers
- In-store Traffic and Conversion
- New Brands
- New Stores
- Store Refurbishments
- Improving Store Productivity



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Investment in Customer Service

- Continuing investment in customer service to build upon initiatives already introduced such as:
 - New Point of Sale system
 - Introduction of Style Advisors
 - Personal Shopping Suites
 - Frontline Staff Incentive and Rewards Program
- “5 Star Service for Today” launched in October 2013. New contemporary service standards incorporating international best practice
- Ongoing investment in customer service and front line staff education



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing sales

Investment in Customer Service – New Initiatives

- RBMA (concession) staff participate in “5 Star Service for Today” education
- Roll-out of RBMA (concession) service education plan to ensure elimination of “service silos” and promote a seamless service experience throughout our stores.
- Daily Sales Reports now extended to include individual RBMA staff members
- Investment in “Service Touchpoints” including:
 - “Country flags” on 250 front line staff badges indicate top inbound tourist languages spoken fluently
 - “Gift Guru” and “Porterage” at Christmas
 - Online booking tool for in-store services



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Investment in Customer Service – Delivering Results

Our customer service investment and initiatives have resulted in:

- Overall customer complaints down 11% vs 1H13
- Compliments to complaints ratio improved by 9% vs 1H13
- 12% improvement in Mystery Shopping score vs 1H13. Mystery Shopping score based on 1,500 independent shopping trips across all of our stores and departments. Our highest ever score
- Field surveys indicate improvements in concession staff service across the David Jones business – elimination of service silos



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Targeting New Customers – Asian Tourist Market

- In May 2013 we became the first Australian department store to accept UnionPay (the Chinese national debit and credit card with 3.5 billion cards on issue)
- Annual spend by Chinese tourists in Australia is ~\$4.6 billion and peaks during the Chinese New Year holiday period
- Ongoing investment in growing this segment including:
 - 140 front line staff fluent in Cantonese and Mandarin
 - Advertising in publications aimed at Asian tourists eg. Harper's Bazaar “Luxury Shopping guide to Australia”
 - Emphasis on promotional events such as Chinese New Year featuring themed gift cards, offers for UnionPay cardholders and themed merchandise



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Targeting New Customers – Activewear Market

- Signed up Lorna Jane on a department store exclusive basis to anchor new expansion into Women's activewear
- Lorna Jane is Australia's leading women's activewear brand generating over \$100 million in sales p.a. from over 150 stores internationally
- The global activewear market grew at 7.5% in 2013 and this growth is expected to continue
- David Jones is the first department store that Lorna Jane has partnered with for distribution



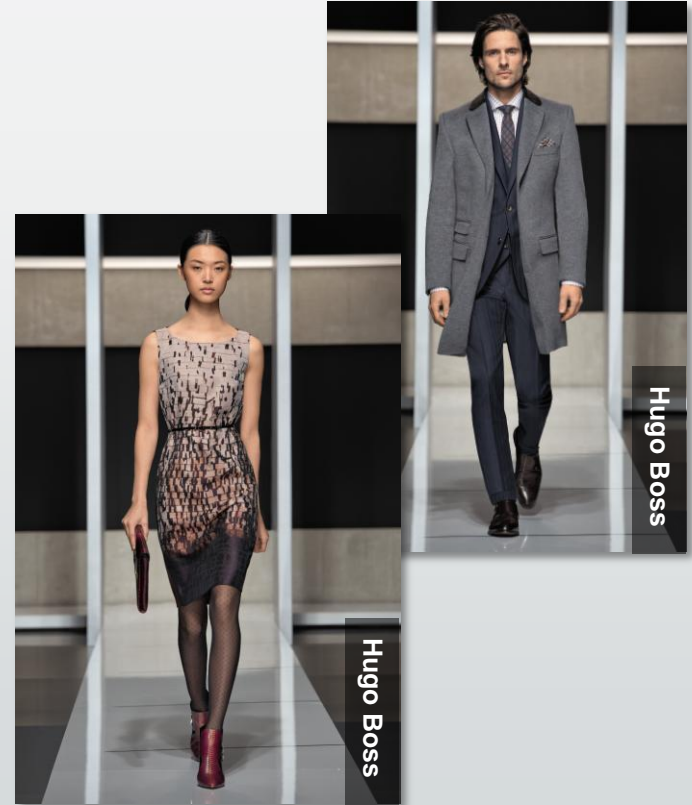
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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Targeting New Customers – Career Wear Market

- In October 2013 David Jones entered into an Australian department store exclusive arrangement with Hugo Boss
- David Jones has also signed up internationally renowned Brooks Brothers on a department store exclusive basis
- Other men's career wear brands that David Jones stocks exclusively include Armani Collezioni, Ermenegildo Zegna, Canali, Versace, Dolce & Gabbana, Hardy Aimes and Paul Smith
- The Australian men's career wear market is estimated to be worth ~\$400 million p.a. and David Jones is aiming to capture a significant proportion of this market



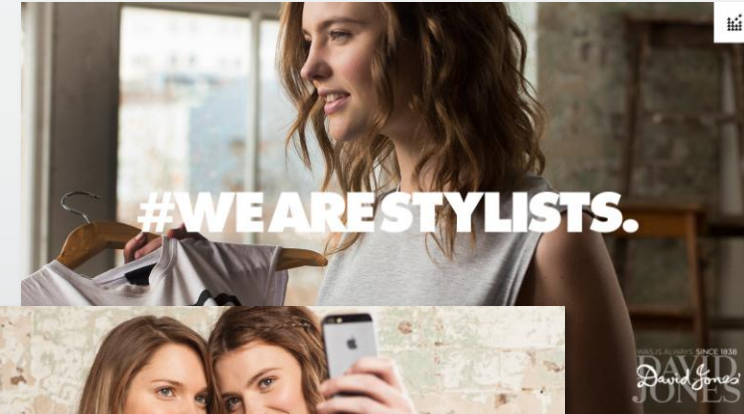
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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Targeting New Customers – Young Fashion

- Our Young Fashion business has experienced good growth
- Ongoing addition of new Young Fashion brands to our business (eg. Talulah, SABO Skirt)
- Launch of multi platform “#WeAre” campaign in 1Q14 incorporating interactive digital mediums & in-store theatre and events
- “#WeAre” shoppable video launched
- Purpose of these campaigns is to engage with this target market in a way that they can better relate to and to encourage their engagement and interaction



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Targeting New Customers – AMEX cardholders: “Shop with Points”

- In January 2014 we launched our “Shop with Points” program
- This program enables AMEX issued cardholders (including non DJs cards) that are enrolled in AMEX’s Membership Rewards to redeem points on David Jones’ webstore to pay for purchases
- With up to 120,000 SKUs available online our “Shop with Points” program is one of the broadest available in the Australian market
- This program gives us access to AMEX cardholders who may not have shopped with David Jones and encourages AMEX cardholders who do shop with us to shop more frequently with us



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

In-store Traffic and Conversion

- Continued investment in in-store events to drive traffic and engagement
- Traffic Analytics rolled out across entire store network
- Complimentary customer wi-fi being rolled out across the store portfolio
- Traffic Analytics used in conjunction with new Daily Productivity Reports for individual front line staff to ascertain and benchmark conversion of foot traffic into sales



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

New Brands

- Approximately 100 new brands introduced into the business in 1H14 to replace non performing brands
- All international brands entered the business on a price harmonised basis
- Continual refreshing of the brand portfolio to ensure it reflects customer demand and maximises floor space productivity
- New Australian brands signed on a department store exclusive basis in 1H14 include:
 - Nicola Finetti
 - Lorna Jane
 - Michael Lo Sordo
 - Susie Stenmark
 - Kitten
 - Terry Biviano
 - Sabo Skirt
 - Christopher Esber



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

New Brands - International

- We have experienced strong sales growth in our womenswear international designer business in 1H14 vs 1H13
- New international brands signed on a department store exclusive basis in 1H14 include:
 - Richard Nicholls
 - Sandro
 - Carven
 - 3.1 Phillip Lim
 - Phase Eight
 - Vince
 - Stella McCartney RTW
 - Gucci
 - Cacharel
 - Maaji



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

New Stores

- The Company opened its new Malvern Central (VIC) village format store in Sept 2013
 - 7,500 square metres in size
 - 350 brands available across Fashion, Beauty and Home
 - 150 department store exclusive brands
 - Includes all features of our 'Next Generation Store' concept including digital charging stations, complimentary customer wi-fi, interactive tweeting mirrors and traffic analytics
- New Indooroopilly (QLD) store due to open in May 2014
- New Macquarie Centre (NSW) store on track to open in FY15



David Jones Malvern

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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Store Refurbishments

- We have 38 stores in our portfolio
- Our portfolio is in good shape with ~50% of our stores refurbished in the past 5 years (includes stores currently under refurbishment)
- In 2H14 we are undertaking extensive refurbishments of our Miranda (NSW) and Adelaide Central Plaza (SA) stores which will disrupt sales during the refurbishment period but enhance sales once the refurbishment is completed



David Jones Canberra

Year	Store Refurbished
FY14	Canberra Centre (ACT) Miranda (NSW) (due to be completed Oct 2014) Adelaide Central Plaza (SA) (due to be completed Oct 2014)
FY13	G & LG Elizabeth Street (NSW) Lvl 1 & 2 Market Street (NSW) Bondi Junction (NSW)
FY12	Chadstone (VIC) Marion (SA) Warringah Mall (NSW) Toowong Village (QLD)

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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Growing Sales

Improving Store Productivity

- A key focus of the Company is to improve productivity per square metre of Gross Lettable Area (GLA) in each of its stores
- Over the past 3 years we have made significant progress in increasing our selling space as a % of total GLA
- In FY10 ~73% of our GLA was selling space. This has increased to a current average of ~76%.
- We are working towards improving this to 85% of total GLA in new stores being selling space and 80% of GLA being selling space in our refurbished stores



David Jones Chadstone

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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Maximising Profit Margins

- Exiting Low Productivity Categories
- Category Mix
- Private Label
- Technology Initiatives



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Maximising Profit Margins

Exiting Low Productivity Categories

- In 1H14 the Company completed its exit of low productivity categories
- Categories exited were Outdoor Furniture, Music, DVDs & Electronic Games
- In the short term the exit of these categories will adversely impact GP Margins, in the longer term this action will enhance margins

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Maximising Profit Margins

Category Mix

- As part of its new stores and refurbishment program the Company is changing its category mix and the allocation of store selling space from 60:40 Fashion and Beauty versus Home to a 75:25 mix
- Fashion and Beauty being higher margin categories. This change in mix will over time help improve the Company's GP Margins
- Ten stores in the Company's portfolio will have a 75:25 category mix by the end of 2014
- All future new stores and refurbished stores will target the 75:25 benchmark



David Jones Malvern

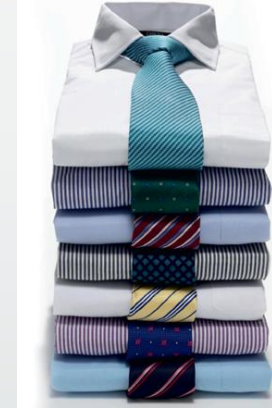
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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Maximising Profit Margins

Private Label

- In March 2013 we announced our plan to increase our private label business sales to 10%
- This target is in line with our international peers
- We aim to achieve this 10% target by FY17
- In 1H14 we rolled out our private label in the following categories:
 - Jewellery
 - Shoes
 - Bags
 - Small Leather Good
 - Basics
 - Babywear
 - Childrenswear
 - Business Shirts
 - Ties
 - Knitwear



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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Maximising Profit Margins

Technology Initiatives

We are planning to invest in the following Technology initiatives to help improve our GP Margins:

- **“Merchandise Planning System”**: commenced evaluation of a new system which will better match products to customer demand and appropriate stores thereby reducing the need to discount to clear stock. This transformation will commence in FY15
- **Promotions@POS**: commenced a phased roll-out in Nov 2013 that allows tighter management of promotions and has introduced new ‘gift card’ promotion functionality. This project is due to be completed by 1Q15
- **Automated Rebate Deal Management (RDM)**: being implemented in FY14. Will eliminate the need for manual rebate collection and ensuring all rebates are collected in a timely manner



Point of Sale (POS) system

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1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Managing Costs

CODB Efficiencies

- A number of CODB initiatives were implemented in 1H14 designed to deliver savings that will go some way to offsetting the expected cost increases the business faces in areas such as labour, utilities and property costs
- The CODB initiatives implemented in 1H14 do not adversely impact the customer experience. They include:
 - **Workforce Management System** which enables the centralisation of rostering activities and elimination of duplication of tasks across the store portfolio plus 'real time' costing to maximise the efficiency of the roster spend
 - **POS Efficiencies** - elimination of consumables such as paper dockets and register rolls as well as delivering energy savings and service efficiencies
 - **Energy Efficiencies** - Lighting upgrades in 'back-of-store' areas and more energy efficient lights on selling floor, continued roll out of our air conditioning and refrigeration upgrades
 - **Marketing Efficiencies** - transition from traditional media to lower cost digital media

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Managing Costs

CODB Efficiencies

- The following CODB efficiency programs are scheduled to be rolled out in 2H14:
 - **Human Resources Information System** being introduced. This will replace our legacy, labour intensive payroll and recruitment systems and result in a streamlined and centralised payroll and recruitment process
 - **Automated Supply Chain Delivery Compliance** – reducing labour rework costs from merchandise delivered not floor ready (ie. without correct ticketing or hanger)

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Managing Costs

Exiting Low Productivity Stores

- We have six lease expiries in less robust demographics over the next 5 years
- These lease expiries give us the opportunity to review our store portfolio in light of our broader OCR strategy
- We have decided not to renew the leases of our two warehouse stores at:
 - Birkenhead Point (NSW) - expiry September 2014
 - Harbour Town (QLD) - expiry June 2015
- Our decision not to renew these leases provides a cost saving opportunity. We have a strong track record of migrating sales and EBIT contribution from stores we exit to neighbouring stores or our online site
- In addition we have decided not to proceed with the Whitford (WA) Agreement for Lease that was signed in 2008

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Inventory Management

Inventory Management

- Launch of **Consignment Stock System** in 1H14 where vendors supply stock to David Jones but retain ownership thereby reducing the inventory on David Jones' books. We pay the vendor at the time of sale
- Continued introduction of increased number of staggered intakes of inventory each season
- This has:
 - Reduced the risk of sell-through by giving the buying team the ability to cancel future drops if stock is not selling
 - Improved the Company's working capital
 - Given customers a reason to visit us more frequently to shop new merchandise

1. DEPARTMENT STORE BUSINESS

1.2 DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS – Enhancing EBIT

“Electronics Powered by Dick Smith”

- The conversion of our Electronics category from “own buy” to an RBMA/concession model on 1 October 2013 has enhanced our EBIT by:
 - Removing labour and inventory costs
 - Providing a guaranteed minimum EBIT contribution from this business regardless of sales levels
 - Allowing us to participate in the “upside” when sales from this category exceed the minimum guaranteed base level
 - Deliver a better customer experience, particularly through lower prices



Dick Smith display, David Jones Market Street

DAVID JONES

2. FINANCIAL SERVICES

David Jones Store Card

- The David Jones Store Card is a heritage product that has no annual fee and can only be used when shopping with David Jones
- The Store Card earnings have been adversely impacted in recent times by the reduction in the volume of sales of “big ticket” and “interest free items”
- In 2H13 we introduced David Jones Reward Points for the Store Card which can be redeemed for David Jones Gift Cards and Qantas Frequent Flyer Points to revitalise this product
- In 1H14 Store Card Receivables were down 18% on the corresponding prior year period

2. FINANCIAL SERVICES

David Jones American Express Card (Gold and Platinum)

- The David Jones American Express Gold Card was launched in 2008 and the David Jones American Express Platinum Card was launched in 1H13
- Both cards attract an annual fee and earn Merchant Service Fees
- In 1H14 the number of active David Jones American Express Cards was up 4% on 1H13
- Total Billings for this portfolio were up in 1H14
- Receivables however declined 3% reflecting an increased trend amongst cardholders to pay down debt

2. FINANCIAL SERVICES

Total Portfolio (David Jones Store Card and David Jones American Express Cards)

- Total Billings increased reflecting the strong performance of the David Jones American Express Cards
- Total Receivables declined 10% reflecting the continued trend by cardholders to deleverage and pay down debt across the portfolio
- The earnings decline in Store Cards was fully negated by an increase in the contribution from David Jones American Express Cards
- The David Jones American Express Cards now account for approximately two thirds of the Financial Services earnings



DAVID JONES

3. PROPERTY

- In 2012 the Company's four Sydney and Melbourne CBD properties were externally valued at \$612 million on an existing use basis
- The Company has continued to explore options to unlock the value of its properties
- In January 2014 we lodged a preliminary development application with Sydney City Council in relation to our Market Street (NSW) property. Initial feedback from Council has been favourable in terms of the development envelope proposed for this site
- In March 2014 we appointed Colliers International as our property advisors to seek expressions of interest in relation to our Market and Elizabeth Street (NSW) sites
- An Information Memorandum is expected to be issued in 4Q14



Elizabeth Street store

DAVID JONES

CONCLUSION

- Our Future Strategic Direction Plan is gaining momentum and delivering results
- Successful transformation into an Omni Channel Retailer
- Online sales expected to account for 10% of Total Sales by FY18
- Department Store business is delivering good EBIT growth
- Strong brand and market positioning
- No net debt, strong balance sheet and solid cashflows
- Committed to paying not less than 85% of PAT as fully franked dividends to shareholders

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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-IFRS financial measures included in this presentation. These measures are Cost of Doing Business (CODB), Net Debt, ROE, EBITDA and EBITDAR.