

DAVID JONES LIMITED
FULL YEAR (FY11) RESULTS
AUGUST 2010 – JULY 2011

WAS. IS. ALWAYS
**DAVID
JONES**

Presenters:
Paul Zahra – Chief Executive
Stephen Goddard – Finance Director

Introduction

FY11 has been a very challenging year

It is well documented that:

- consumer sentiment deteriorated significantly in 2H11
- household savings have increased by more than 50% in the period December 2009 to March 2011
- strong Australian dollar has driven price deflation, which has impacted a number of our categories as well as increased outbound tourism

In this environment:

- our Sales for FY11 were \$1,961.7 million (down 4.4% on FY10)
- our PAT was \$168.1 million (down 1.5% on FY10)

Financial Highlights



- Sales for FY11 were \$1,961.7m
- PAT for FY11 was \$168.1m
- CODB reduced by 80bp (29.0% in FY11 vs 29.8% in FY10)
- Financial Services EBIT up by 7.5% in FY11
- Strong balance sheet, low debt, solid cash flow

3

Dividend



- 2H11 Dividend of 15cps fully franked (vs 18cps in 2H10)
- FY11 Dividend of 28cps fully franked (vs 30cps in FY10)
- Payout ratio of 86.2%
- Continued track record of paying out not less than 85% of PAT as dividends, despite difficult trading conditions

4

Profit Summary 2H11



	2H11	2H10	Change
	\$m	\$m	
Sales	878.3	967.0	- 9.2%
Gross Profit	337.4	381.3	- 11.5%
% to sales	38.4%	39.4%	- 100bp
Cost of Doing Business	(269.5)	(302.0)	- 10.8%
% to sales	30.7%	31.2%	- 50bp
- Department Stores EBIT	67.9	79.2	- 14.3%
- Financial Services EBIT	24.9	23.2	+ 7.5%
EBIT - TOTAL	92.8	102.4	- 9.4%
% to sales	10.6%	10.6%	-
Net Interest Expense	(3.6)	(3.9)	- 6.3%
Profit before Tax	89.2	98.5	- 9.5%
Income Tax Expense	(26.7)	(28.2)	- 5.2%
Tax Rate	29.9%	28.7%	
Profit after Tax	62.4	70.3	- 11.2%
% to sales	7.1%	7.3%	- 20bp

5

Profit Summary FY11



	FY11	FY10	Change
	\$m	\$m	
Sales	1,961.7	2,053.1	- 4.4%
Gross Profit	767.3	815.7	- 5.9%
% to sales	39.1%	39.7%	- 60bp
Cost of Doing Business	(568.5)	(610.9)	- 6.9%
% to sales	29.0%	29.8%	- 80bp
- Department Stores EBIT	198.8	204.8	- 2.9%
- Financial Services EBIT	47.7	44.4	+ 7.5%
EBIT - TOTAL	246.5	249.2	- 1.1%
% to sales	12.6%	12.1%	+ 50bp
Net Interest Expense	(7.1)	(7.1)	+ 0.0%
Profit before Tax	239.3	242.0	- 1.1%
Income Tax Expense	(71.2)	(71.3)	- 0.1%
Tax Rate	29.8%	29.4%	
Profit after Tax	168.1	170.8	- 1.5%
% to sales	8.6%	8.3%	+ 30bp

6

Gross Profit



- Gross Profit down 60bp to 39.1% (vs 39.7% in FY10)
- Reflects competitive environment and dealing with excess inventory due to unprecedented sales decline in June and July 2011

7

Cost of Doing Business



- FY11 CODB 29.0% – reduced by 80bp from FY10
- All cost efficiencies achieved with no impact on service principles
- Examples:
 - Installation of cash management equipment
 - Insourcing of security
 - Implementation of mobile labelling solution
 - Installation of energy efficient lighting
 - Streamlining of waste equipment

8

Inventory



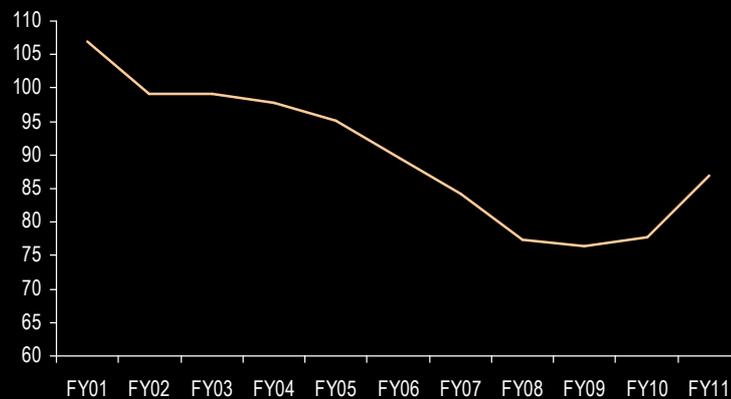
- The Company's year-end stock position in FY11 is 2.3% higher than in FY10
- Management is working diligently on clearing excess inventory throughout FY12
- Aged Inventory remains at less than 5%

9

Inventory Days



Inventory Days



10

Financial Services



- Financial Services EBIT +7.5%
- Good response to value proposition re-launch in October 2010
- Good response to card member events
- Continue to focus on spend and balance



11

Capital Expenditure



- FY11 actual Capex \$81.5m
- Includes spend on Bourke St Mall redevelopment, strategic refurbishments at Claremont Quarter (WA), Chadstone (Vic), Warringah Mall (NSW), Kotara (NSW), Wollongong (NSW), and 460 branded installations
- Capex forecast for FY12 at similar level to FY11 (includes strategic refurbishments, branded installations and Point of Sale development)

12

Cash Flow



- Strong balance sheet
- Year-end gearing of 13.3%
- Solid cash flow but adversely affected in late FY11 by downturn in sales, causing increase in working capital

13

Financial Health Indicators



	FY11	FY10
Average Net Debt: Net Debt + Equity	12.6%	12.5%
Year End Net Debt: Net Debt + Equity	13.3%	10.4%
Average Net Debt: EBITDA	0.4	0.3
EBITDA Interest Cover	40.9	41.0
EBITDA Fixed Charge Cover	4.1	4.1
ROFE (13 month average)	29.5%	32.8%
ROE (13 month average)	21.9%	23.9%

14

Strategic Highlights



- Launch of online site
- Introduction of 90 exciting new brands
- New Point of Sale system
- New stores
- Strategic refurbishments
- New brand installations
- National launch of new Personal Shopping service
- Launch of brand campaign “Was. Is. Always David Jones”
- New card member and customer events
- Customer service
- Digital marketing
- National roll-out of Rose Clinic
- Extended trading hours

15

Online Trading



- Permanent online site established on 4th November 2010
- Site commenced with 1,500 products and operating under a legacy IT system
- Since November 2010 number of products offered on the site have increased to over 2,500
- Currently tendering for a new IT solution to support the Company’s multi-channel retail strategy

16

Brands



- In FY11 the Company announced the introduction of 90 new brands (vast majority on a department store exclusive basis), including
 - International Brands such as Lanvin, Dries Van Noten, Hugo Boss Women, Hackett London, GUCCI Jewellery, YSL Jewellery, Victoria Beckham, Lucy in Disguise by Lily Allen, Kardashian Kollektion,
 - Premium Australian brands such as Lover, Bassike, Carl Kapp, Flannel, Little Joe, Megan Park, Rachel Ruddick, Lucette
 - Other notable Australian brands such as Dosh, Cheddar Pocket, Status Anxiety, Curtis Stone Cookware
- The Company has successfully implemented its sass & bide replacement strategy with all new branded installations now complete and sales and profit outperforming those of sass & bide

17

New Point of Sale (POS) System



- Current POS system has been operating since the early 1990s
- Good progress is being made with the Company's new POS system
- We are in the final stages of selecting a new POS solution, the rollout of which is scheduled to occur from 2H calendar 2012
- The new POS system will improve the customer's service experience and significantly reduce transaction time
- The new POS system has multi-channel functionality and will play a pivotal role in our multi-channel strategy

18

New Stores – Claremont & Highpoint



- On 17 February 2011 our new Claremont Quarter (WA) store was opened with 85% more selling space. We are pleased with the store's performance since its re-opening
- On 23 February 2011 the Company announced it has entered into a 20-year Agreement for Lease for a brand new full line 14,000sqm David Jones department store in Highpoint (Vic) shopping centre
- The new David Jones Highpoint store is expected to:
 - open for trade in the first quarter of calendar 2013
 - generate sales of \$50-\$60m p.a. over time



19

Other New Stores



Further new stores scheduled for opening in FY14-FY16:

<u>New Store</u>	<u>Size (GLA)</u>	<u>Context</u>
Macquarie (NSW)	14,000 sqm	- Growing number of high earners in the catchment area - Sixteenth largest shopping centre based on sales
Pacific Fair (QLD)	14,500 sqm	- Sixth most visited shopping centre in Australia
Sunshine Plaza (QLD)	14,000 sqm	- Located in South East Queensland which is one of Australia's fastest growing areas
Whitford (WA)	13,500 sqm	- Third largest shopping centre in WA - David Jones will be the only department store in the centre

20

Refurbishments



- Bourke St Mall (Vic) opened August 2010 with 30% more selling space
- Kotara (NSW) & Wollongong (NSW) refurbishments completed in October 2010 and trading successfully
- Chadstone (Vic) and Warringah Mall (NSW) refurbishments to be completed September/October 2011 in time for Christmas trading - expected to deliver incremental EBIT in FY12 equivalent to 2 new stores due to substantial increase in sell space
- Marion (SA) store commenced refurbishment in July 2011 and will be completed in time for Christmas trading

21

Branded Installations



- Over the past 12 months the Company has successfully installed ~ 460 branded concept areas throughout its store network – further ~550 are scheduled for installation throughout FY12
- The new branded concept areas are expected to deliver incremental EBIT equivalent to 3-4 standard store refurbishments



22

New Personal Shopping Service



- The launch of the Personal Shopping service in the Bourke St Mall store has been very successful
- On 1 August 2011 David Jones launched a new Personal Shopping Service in its other flagship CBD stores nationally
- To date this service is trading ahead of budget



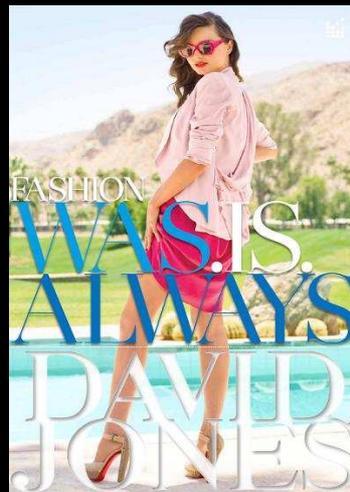
ELIZABETH STREET • MARKET STREET • BOURKE STREET MALL • QUEENSLAND • ADELPHI CENTRAL PLAZA • MAY STREET MALL

23

New Brand Campaign



- On 3 August 2011 the Company launched its new “Was. Is. Always David Jones” brand campaign
- The campaign is designed to entice customers with freshness and newness and leverage David Jones’ position as the fashion authority in Australian retailing
- The cost of the campaign was funded from monies diverted from promotional advertising and resulted in no incremental spend



24

New Card Member and Customer Events



- We have commenced the roll-out of 70 new customer and cardholder events and promotions, in addition to our existing program (eg. Girls Night Out, Bonus Points promotions, Lunch with Maggie Beer, Flower Show VIP Night, Mercedes Benz Fashion Festival, Miranda Kerr in store, Collette Dinnigan trunk shows, etc.)
- These are designed to reward customers by providing new experiences, drive retail sales and promote use of the David Jones American Express card and the David Jones store card



25

Customer Service



- The Company has increased investment in customer service initiatives in 1H12
- In August the Company increased investment in frontline staff hours as a relative proportion to sales
- Increasing quantum of payment made to floor staff under 'Reward & Recognition' incentive to drive sales and productivity
- New training for all frontline staff

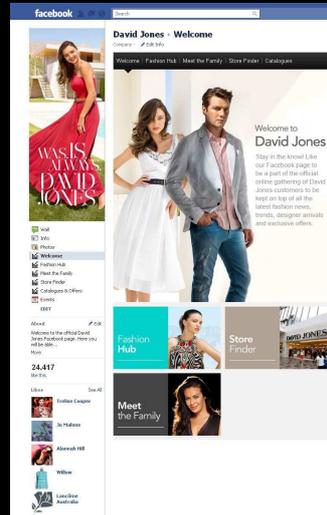


26

Digital Marketing and Social Media



- In May 2011 the Company launched its social media sites (Facebook and Twitter)
- On 3 August 2011 the Company launched its new 'Fashion Hub'
- Company on track to launch its new mobile website



27

Rose Clinic



- Company is planning to roll-out its Rose Clinic (Free Breast Screening Clinic) across all of its national CBD flagship stores
- Currently Rose Clinics operate in the David Jones Elizabeth St (NSW) and Bourke St Mall (Vic) stores
- On 16 September a new Rose Clinic was launched in the Company's Queens Plaza (Qld) store with plans for clinics to be opened in the Perth and Adelaide CBD stores over the next three years
- In addition to supporting the Company's Philanthropic Strategy the Clinics also help drive foot traffic into David Jones stores



28

Extended Trading Hours



- Throughout FY11 the Company increased its trading hours nationally to enable customers to shop when they want
- The results of this have been pleasing and as a result management is continuing this initiative (within the boundaries set by each States' legislation) throughout FY12

29

Outlook FY12



- Expectation that 1Q12 Sales will be in line with 4Q11 (i.e. -10% *)
- Despite 1Q12 Sales being below our expectations we reaffirm our 1H12 PAT guidance of -15% to -20% based on:
 - Expectation that Sales in 2Q12 whilst still negative will improve from -10%. Reason for this being we will be cycling the lower 2Q11 Sales base and will get the benefit of completion of Chadstone and Warringah Mall refurbishments as well as the fact that we have already cycled the sales uplift from the opening of our new Bourke St Mall store in August 2010
 - Majority of our Company's profit in 1H of financial year is generated in 2Q12 due to Christmas and Clearance trading
 - Our inventory management program is progressing successfully despite current difficult trading conditions

* 4Q11 Sales based on adjusted calendar weeks (13 weeks vs 13 weeks)

30

Conclusion



- David Jones has:
 - a strong business model
 - a distinctive competitive positioning
 - a strong balance sheet
 - low debt
 - solid cash flows
 - high dividend payout ratio
- We are working on and investing in becoming a successful multi channel retailer
- We are working on our FY13-FY16 Strategic Plan which we will announce to the market in 2012
- We have a strong business foundation and are investing in our future
- We are well positioned to leverage any improvements in the economy as they occur

31



Appendices to FY11 Results (Financials)

32

EBIT

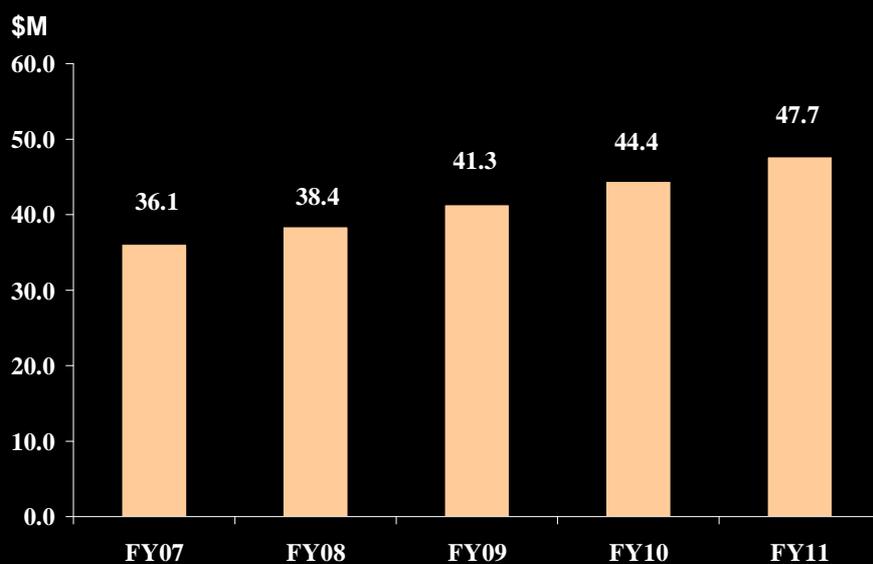


EBIT to Sales performance

	FY11	FY10
EBIT	246.5	249.2
% to Sales	12.6	12.1
EBITDA	292.3	293.0
% to Sales	14.9	14.3

33

Financial Services EBIT



34

Cash Flow



FY11 Cash Flow	FY 11 \$m	FY 10 \$m
EBITDA calculation:		
Operating Profit After Tax	168.1	170.8
Depreciation	45.9	43.8
Income tax expense	71.2	71.3
Interest	7.1	7.1
	292.3	293.0
EBITDA	292.3	293.0
Interest expense	(7.1)	(7.1)
Tax paid to ATO	(59.8)	(47.6)
Share based payment expense	5.8	9.5
Loss on disposal of NCAs	0.7	0.2
Net movement in working capital	(47.8)	(45.4)
Net movement in other assets/liabilities	(1.7)	1.4
Operating Cash flow	182.4	203.9
Capex	(81.5)	(80.2)
Proceeds on disposal of property	0.0	0.6
Net Investing Cash flow	(81.5)	(79.7)
Free Cash flow	100.9	124.3
Dividends	(130.2)	(117.8)
Purchase of shares for LTI Trust	(4.7)	(4.6)
Equity proceeds	0.1	0.1
Net Cash flow	(33.9)	1.9

35

Cash Flow



2H11 Cash Flow	2H 11 \$m	2H 10 \$m
EBITDA calculation:		
Operating Profit After Tax	62.4	70.3
Depreciation	20.1	22.7
Income tax expense	26.7	28.2
Interest	3.6	3.9
	112.9	125.0
EBITDA	112.9	125.0
Interest expense	(3.6)	(3.9)
Tax paid to ATO	(28.5)	(30.5)
Share based payment expense	0.7	3.5
Loss on disposal of NCAs	0.5	0.2
Net movement in working capital	(31.2)	(13.6)
Net movement in other assets/liabilities	(1.7)	(0.9)
Operating Cash flow	49.1	79.9
Capex	(34.6)	(42.1)
Net Investing Cash flow	(34.6)	(42.1)
Free Cash flow	14.5	37.8
Dividends	(53.6)	(49.2)
Purchase of shares for LTI Trust	(4.7)	(4.6)
Net Cash flow	(43.9)	(16.0)

36

Expenses – FY11



4E Income Statement

FY11	\$m	%
Other Revenues	55.9	8.3
Employee Benefits Expense	282.4	(10.8)
Lease & Occupancy	178.2	(2.0)
Depreciation & Amortisation	45.9	4.7
Advertising/Merchandise/Visual	32.8	(18.9)
Administration	20.8	2.0
Net Financing	7.8	10.3
Other Expenses	16.0	4.2

37

Expenses – FY11



Other Revenues +8.3% – increase due to Financial Services commission as per arrangement with Amex

Employee Benefits Expense (10.8%) – includes frontline store salaries broadly in line with sales, impact of back of house cost efficiencies and reduced incentives

Lease & Occupancy (2.0%) – reflects rent no longer paid for Lt Bourke St building, reduction in contingent rentals and cost efficiencies

Depreciation & Amortisation +4.7% – includes depreciation for Bourke St Mall redevelopment

38

Expenses – FY11



Advert/Merch/Visual (18.9%) – maintained share of voice but at reduced cost reflecting the outcome of renegotiated contracts and other initiatives

Administration +2.0% – broadly in line with last year

Net Financing +10.3% – higher interest rates, plus higher debt levels late in 2H11

Other Expenses +4.2% – broadly in line with last year

39

Expenses - 2H11



4E Income Statement

2H11	\$m	%
Other Revenues	28.9	7.7
Employee Expenses	129.0	(15.4)
Lease & Occupancy	89.8	(4.0)
Depreciation & Amortisation	20.1	(11.4)
Advertising/Merchandise/Visual	14.3	(9.8)
Administration	12.0	(17.4)
Net Financing	3.9	7.2
Other Expenses	8.0	15.8

40

Expenses - 2H11



Other Revenues +7.7% – increase due to Financial Services commission as per arrangement with Amex

Employee Benefits Expense (15.4%) – includes frontline store salaries broadly in line with sales, impact of back of house cost efficiencies and reduced incentives

Lease & Occupancy (4.0%) – reflects rent no longer paid for Lt Bourke St building, reduction in contingent rentals and cost efficiencies

Depreciation & Amortisation (11.4%) – largely timing related given refurbishments and store closures in 1H11

41

Expenses - 2H11



Advertising/Merchandising/Visual (9.8%) – maintained share of voice but at reduced cost, reflecting the outcome of renegotiated contracts and other initiatives

Administration (17.4%) – reduction due to timing and some one-off expenses in 2H10

Net Financing +7.2% – higher interest rates, plus higher debt levels late in 2H11

Other Expenses +15.8% – reflects general impact of cost efficiencies - largely timing impacts

42

Tax – FY11



- Tax rate of 29.8% in FY11 (vs 29.4% in FY10)
- Guidance for Tax rate in FY12 is corporate rate of 30%

43

Funds Employed



	FY11	FY10
	\$m	\$m
Inventory	288.9	282.3
Payables	(216.4)	(244.5)
	72.5	37.8
Receivables - Current	26.5	28.1
Other Creditors - Current	(28.1)	(42.9)
Working Capital	70.9	23.1
Receivables - Non-Current	0.2	0.4
Other Creditors - Non-Current	(33.9)	(36.4)
Fixed Assets	832.8	797.9
Total Funds Employed	870.0	785.1
Net Tax Balances	35.7	45.5
Net Assets Employed	905.7	830.6
Cash	8.8	14.6
Borrowings	(129.0)	(101.0)
Total Equity	785.5	744.2

44

Net Financing Analysis



	1H 11	2H 11	FY 11
	\$m	\$m	\$m
Net Interest as per ASX Release	3.5	3.6	7.1
Interest income	0.3	0.1	0.4
Other	0.1	0.2	0.3
Total Financing Expenses as per 4E	3.9	3.9	7.8
	1H 10	2H 10	FY 10
	\$m	\$m	\$m
Net Interest as per ASX Release	3.3	3.9	7.1
Interest income	0.2	0.1	0.3
Other	(0.0)	(0.3)	(0.4)
Total Financing Expenses as per 4E	3.4	3.7	7.1

45

CODB Reconciliation



	1H 11	2H 11	FY 11
	\$m	\$m	\$m
GP as per statutory P&L	429.9	337.4	767.3
PBT as per statutory P&L	150.1	89.2	239.3
Total costs as per stat P&L	279.8	248.2	527.9
Financial services result	22.8	24.9	47.7
Net interest	(3.5)	(3.6)	(7.1)
CODB for department stores	299.0	269.5	568.5
	1H 10	2H 10	FY 10
	\$m	\$m	\$m
GP as per statutory P&L	434.5	381.3	815.7
PBT as per statutory P&L	143.5	98.5	242.0
Total costs as per stat P&L	291.0	282.7	573.7
Financial services result	21.2	23.2	44.4
Net interest	(3.3)	(3.9)	(7.1)
CODB for department stores	308.9	302.0	610.9

46



WAS. IS. ALWAYS
DAVID
JONES