



David Jones

Macquarie Australia Conference 2009

Presenters:

Mark McInnes – CEO

Stephen Goddard – Finance Director

MACQUARIE CONNECTIONS
MACQUARIE SECURITIES (AUSTRALIA) LIMITED



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Today's Agenda



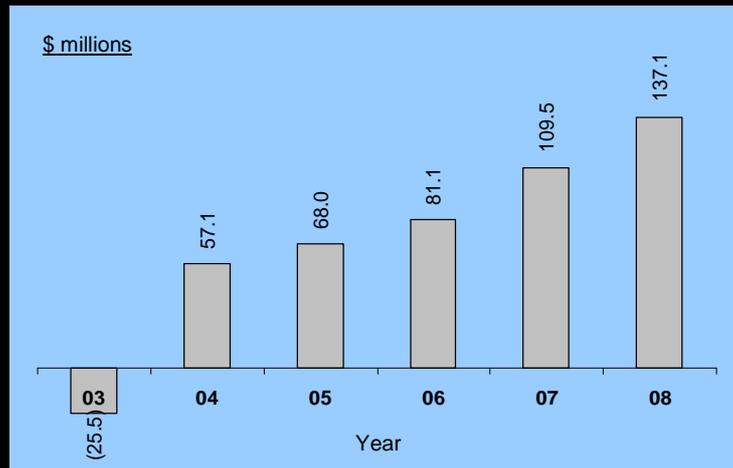
To provide an overview of David Jones'

- Performance Track Record
- Ability to Manage Business through Downturn
- Financials
- Core Customer Base
- Competitive Positioning
- Sources of Growth
- Funding of Growth
- Conclusion

Performance Track Record



PAT Growth since FY03



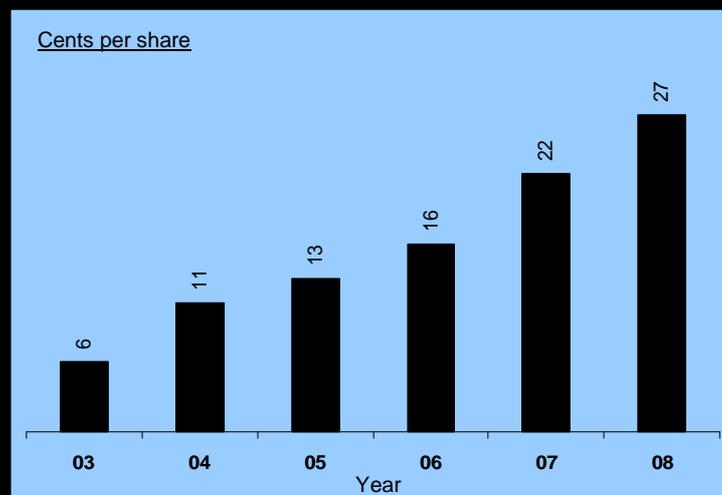
Note: Underlying PAT AIFRS adjusted

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Performance Track Record



Dividend Growth since FY03

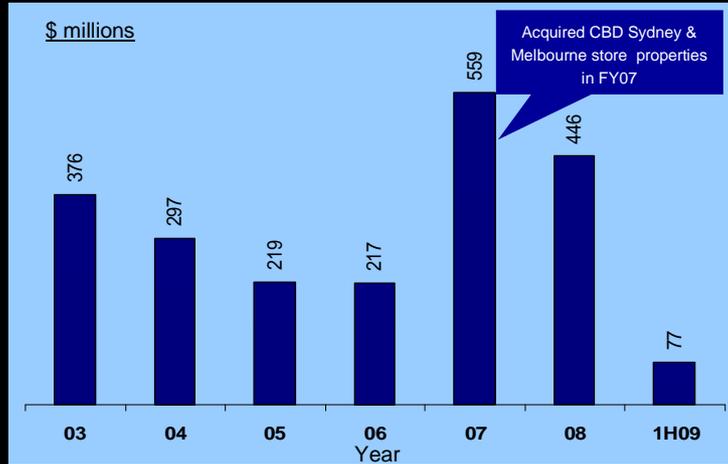


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Performance Track Record



Debt Reduction since FY03



Note: Purchase of flagship Sydney & Melbourne CBD store properties in FY07
Store Card receivables transferred to Amex on 1-8-08 (after end of FY08)

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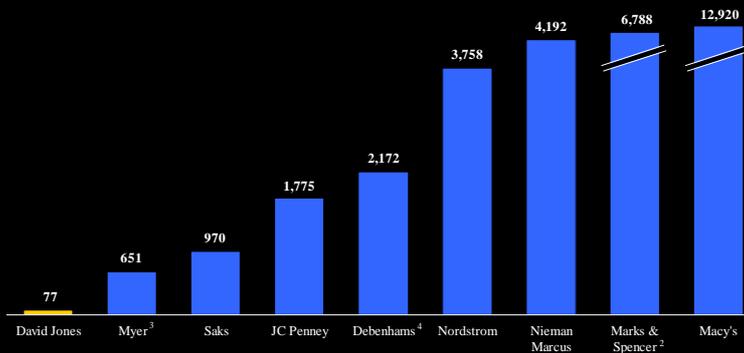
Performance Track Record



David Jones Debt much lower than other department stores

International department store net debt¹ – As last reported at end of January half 2009

AUS\$ millions



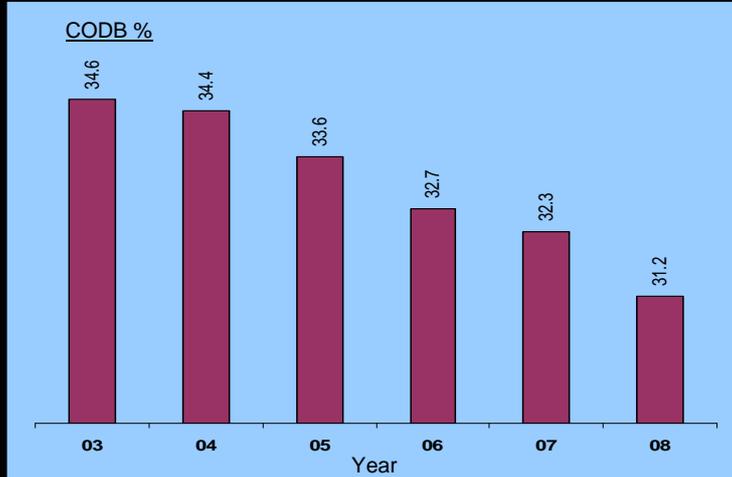
¹ Converted to AUD at 4 March 2009 exchange rates
² Marks & Spencer result based on net debt for half ending September 2008
³ Myer net debt as stated in recent 1H09 sales result announcement
⁴ Debenhams result based on net debt for half ending August 2008
 Source: Company results announcements; Bloomberg; Port Jackson Partners analysis

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Performance Track Record



CODB Reduction since FY03



Note: Adjusted for AIFRS and S&L impacts

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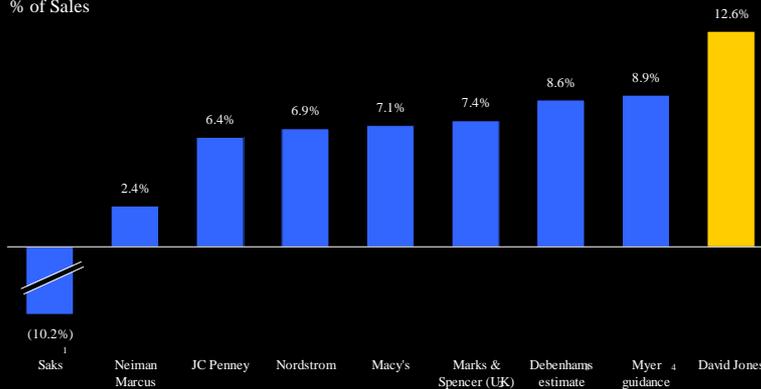
Performance Track Record



David Jones EBIT margins higher than other department stores

International department store EBIT margins (before significant items) – January half 2009

% of Sales



¹ Saks fourth quarter result excludes impact of discontinued operations (Club Libby Lu)

² M&S result (includes general merchandise and food in the UK only) is an estimate from Morgan Stanley Equity Research for half ending March 2009

³ Debenhams result is an estimate from Morgan Stanley Equity Research for half ending February 2009

⁴ Myer result is mid-range of recent 1H09 guidance

Source: Company results announcements; Morgan Stanley Equity Research, January 2009; Port Jackson Partners analysis

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Performance Track Record



Today our Company has

- low debt levels (less than \$100m)
- strong cash flows
- high quality assets (we own our Sydney & Melbourne CBD store properties)
- a strong balance sheet
- attractive dividends (1H09 interim dividend of 11 cps fully franked)

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Ability to Manage Business through Downturn



As a result of work undertaken during the up-cycle (FY06/07) the Company has

- planned and implemented a 4-year sustainable cost efficiency program
- implemented a variable cost reduction program (that fluctuates in line with expected sales)
- implemented a tight inventory management program (that fluctuates in line with expected sales)
- paid down approx \$100m of debt from cashflows
- renegotiated trading terms with 2,700 suppliers

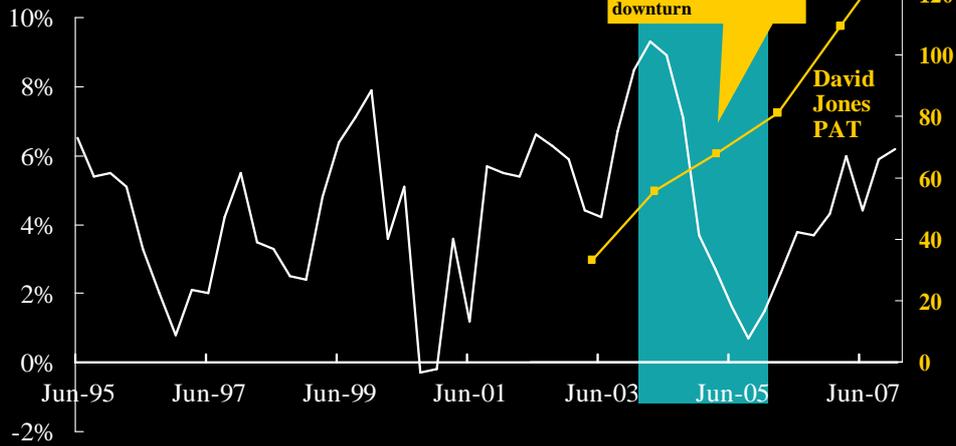
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Ability to Manage Business through Downturn

David Jones has a proven track record of delivering profit growth through a cyclical downturn

Real Retail Turnover Growth
(% p.a. year on year)

PAT
(\$ millions)



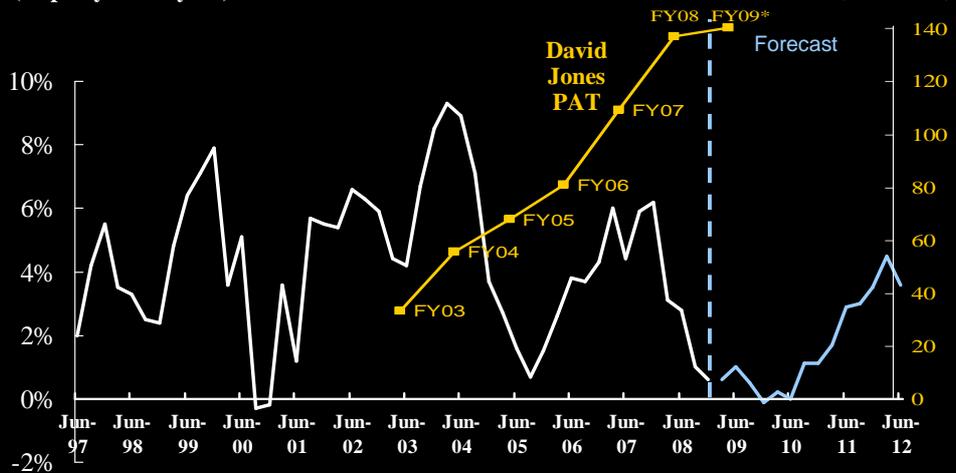
Source: ABS 8501.0 Retail Turnover; Underlying PAT AIFRS adjusted

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Ability to Manage Business through Downturn

Real Retail Turnover Growth
(% p.a. year on year)

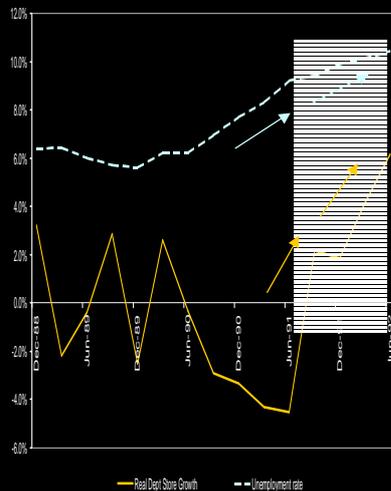
PAT
(\$ millions)



Source: Access Economics Retail Turnover; Underlying PAT AIFRS adjusted; *FY09 Forecast

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Ability to Manage Business through Downturn



- In the last recession growing unemployment was not an indicator of department store sales performance
- We experienced the impact of the wealth effect decline in our business last year
- This year we are cycling the adverse impact on sales that the wealth effect had on our business

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Financials

1H09 Financial Highlights

- 1H09 Profit after Tax +2.4%
- 1H09 Gross Profit 39.5%
- 1H09 CODB 28.7% (down 70 bp)
- Total EBIT to Sales 12.6% (up 50 bp)
- Financial Services EBIT +7.5%
- Inventory levels down 12.9% on LY as at 1H09 end
- Aged Inventory well below Company's 5% benchmark
- Interim Dividend 11cps (fully franked)

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Financials



Balance Sheet

- Net debt of less than \$100m
- Interest debt is less than commercial rent payable on David Jones Sydney & Melbourne CBD properties (acquired in Sept 06)
- Existing assets of highest quality
- David Jones is capable of funding all strategic growth initiatives for FY09-FY12 from
 - capex (capped at \$50m p.a.)
 - external stakeholders
 - DRP
 - proceeds from sale of Bourke St Home Store

No additional debt funding required across FY09-FY12

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Financials



Financial Health Indicators	1H09	1H08
Free Cashflow	\$91.0m	\$75.5m
Average Net Debt: Net Debt + Equity	17.7%	31.6%
EBITDA Interest Cover	22.7	13.3
Fixed Charge Cover	3.9	3.5

Note: Ratios are based on 13-month average & exclude credit card receivables funding up to 1/8/08

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Core Customer Base



- DJs core customer comprises 3 generations of women
 - daughter
 - mother
 - grandmother



with a household income of > \$75,000 p.a.

- This category has grown from 5.3m to 8m people since 2001

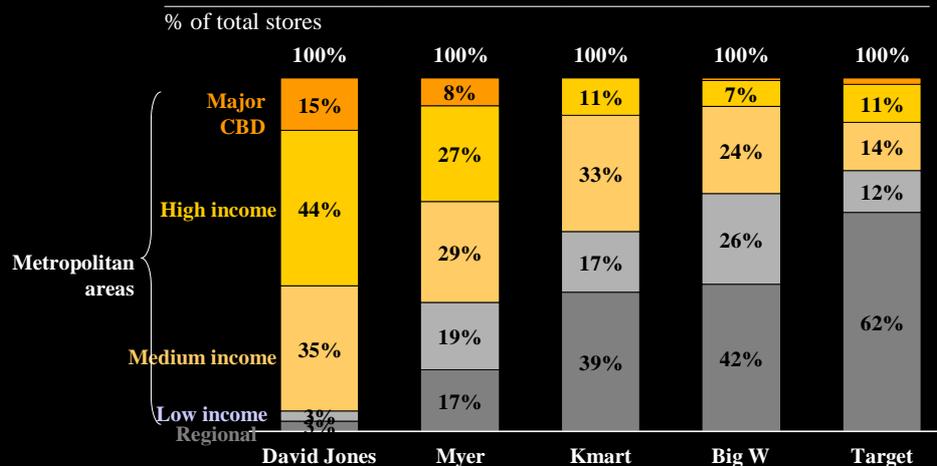
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Core Customer Base



David Jones' stores well located to capture its target market

Store locations of major Australian department stores



Source: Pitney Bowes MapInfo; PJPL Analysis

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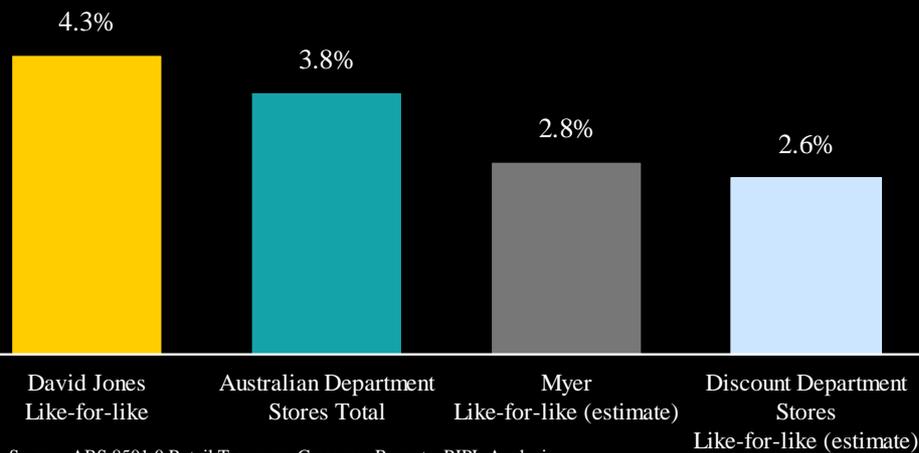
Competitive Positioning



David Jones has outperformed the department store market since 2003

Sales growth per annum

CAGR % FY03-08



Source: ABS 8501.0 Retail Turnover; Company Reports; PJPL Analysis

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Competitive Positioning



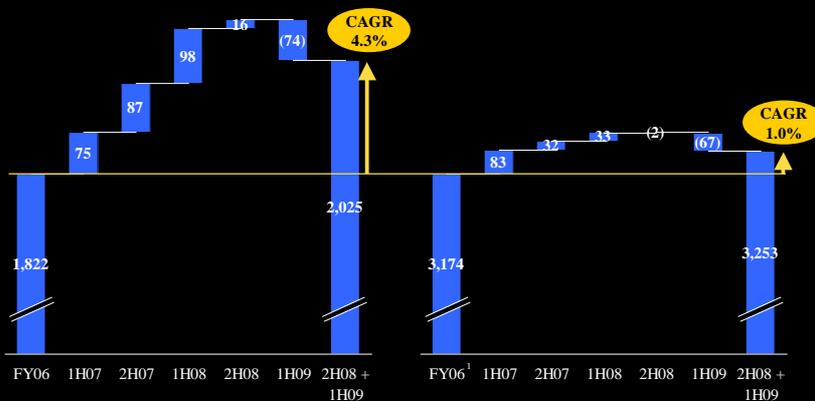
Since FY06 David Jones Sales have grown by \$203m vs Myer \$76m

David Jones sales build-up FY06 to most recent full year (2H08 + 1H09)

\$ millions

Myer sales build-up FY06 to most recent full year (2H08 + 1H09)

\$ millions



¹ Excludes impact of history making clearance and asset writedowns on acquisition

Source: Company results announcements; Port Jackson Partners analysis

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Sources of Growth



- A turnaround has been delivered in the last five years
- Company now uniquely positioned in an attractive retail segment with an improving industry structure
- The Company is poised for growth – it has 7 major growth platforms that will drive PAT and capital growth over FY09-FY12

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Sources of Growth



Major sources of value and growth for David Jones

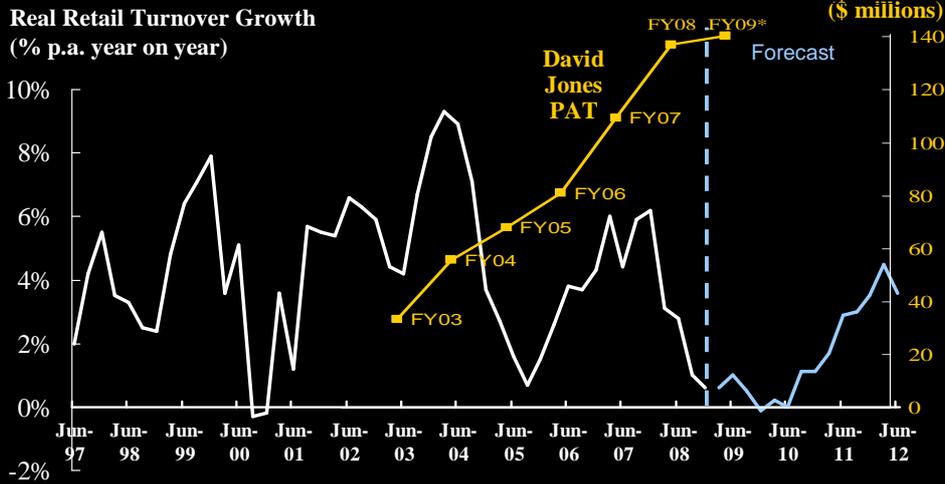
1. Ability to leverage the up-cycle
2. Open 4-8 high-value New Stores
3. 11-14 strategic Refurbishments - to increase high margin categories and brands
4. Growth of our new David Jones American Express Card
5. Sustainably improve Gross Profit margins
6. Continue CODB reductions while maintaining service levels
7. Ongoing Brand introductions

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Sources of Growth



1. Ability to leverage the up-cycle



Source: Access Economics Retail Turnover; Underlying PAT AIFRS adjusted; *FY09 Forecast

Sources of Growth



1. Ability to leverage the up-cycle

We are well positioned to capitalise and leverage our performance as we enter the up-cycle, given our

- 'Home of Brands' strategy – with the best national & international brand portfolio
- loyal customer base & ability to attract aspirational shoppers
- clean inventory with aged stock below 5%
- flexible inventory – the ability to manage inventory in line with sales
- flexible staffing – the ability to increase floor staff in a short lead time
- strong media partnerships
- excellent stores' locations
- proven track record of maximising up-cycles

Sources of Growth



2. Open high-value New Stores in attractive locations

- David Jones will open 4-8 high-value new stores (in addition to Doncaster and Claremont) in centres with strong demographics which are well-located to capture our growing customer base
- The Company has to date entered into agreements to open new stores at
 - The Sunshine Coast (QLD)
 - Pacific Fair (QLD)
 - Macquarie (NSW)
 - Whitford (WA)

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Sources of Growth



2. High-value new stores recently opened

Burwood (Sydney)



- Sales under David Jones ownership 20% above highest levels achieved by Myer after 40 years of trading
- Over 30 new brands introduced not previously available to the Burwood customer
- David Jones department store EBIT is 3 times that delivered by Myer at Burwood

Chermside (Brisbane)



- Brand new store opened in August 2007
- Performing ahead of expectations
- Over 40 new brands introduced not previously available to the Chermside customer

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Sources of Growth



2. High-value new stores recently opened

Doncaster (Melbourne)



- New store opened in October 2008
- Store performance exceptional despite difficult retail environment
- Generated nearly \$30m Sales in 2Q09 & 3Q09
- Is on track to deliver Sales of \$55m-\$60m p.a.
- Will deliver \$7m-\$8m EBIT in its first full financial year of trade
- Scope to ramp up EBIT & Sales as store matures

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Sources of Growth



3. Strategic Refurbishments

- David Jones will refurbish 11-14 high value stores to
 - reinforce our contemporary branded department store positioning
 - increase space for high margin categories and brands
 - generate short to medium term sales and EBIT growth
- Our refurbishment program
 - targets highest value stores in our portfolio
 - must generate a payback in 1-3 years
 - will be funded jointly by external stakeholders and the Company

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Sources of Growth



3. Strategic Refurbishments of 11-14 targeted high-value stores

High-value strategic refurbishments	Complete
-------------------------------------	----------

Recently completed major refurbishment

- | | |
|---|------------|
| • Queens Plaza (Brisbane) | • Complete |
| • Elizabeth St – Floors 2 to 6 (Sydney CBD) | • Complete |
| • Market St – Floors 4 to 6 (Sydney CBD) | • Complete |
| • Bondi Junction (Sydney) | • Complete |
| • Robina (Gold Coast) | • Complete |

Recently announced major refurbishment

- | | |
|------------------------------|--------|
| • Bourke St Mall (Melbourne) | • FY10 |
|------------------------------|--------|

Planning to refurbish 6-9 additional key suburban sites

- | | |
|---|-----------|
| • We have identified stores, development plans and capital requirements, but not released today due to commercial sensitivities | • FY10-12 |
| • Details will be released progressively on an annual basis | |

11-14 high-value strategic refurbishments

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Sources of Growth



3. Building a world-class department store in the Melbourne CBD



Creating a world-class department store in Melbourne CBD

- Increasing sell space by ~30%
- Opportunity to capture additional market share in Melbourne metropolitan market
- Create single largest brand portfolio in Melbourne
- Improving sightlines & customer movement through store
- Consolidating three buildings into two
- Will be completed before Christmas trading period 2009
- Funded through sale of Melbourne Home store, stakeholders, DRP & David Jones capex
- We see this as an opportunity to continue to grow market share in the Melbourne market

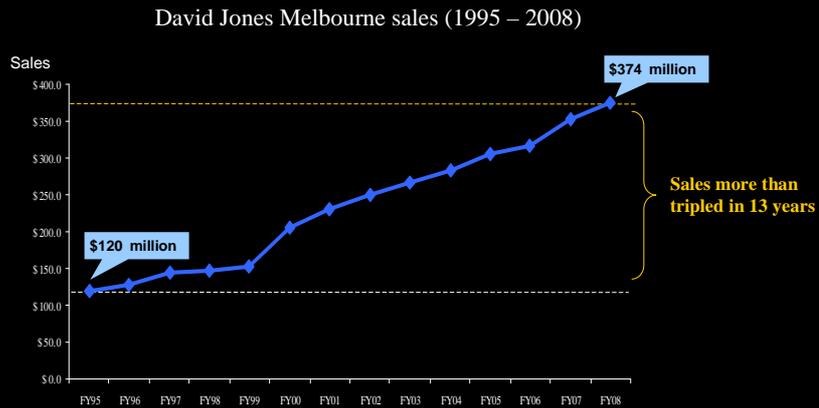
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Sources of Growth



3. Building a world-class department store in the Melbourne CBD

Our track record of growth in Melbourne



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Sources of Growth



4. Launched a new David Jones branded American Express Card

This company transforming transaction for David Jones will deliver significant earnings growth and value to shareholders over time



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Sources of Growth



4. Launched a new David Jones branded American Express Card

For the first 5 years of the David Jones/American Express alliance David Jones will deliver at least 7.5% EBIT growth p.a.

The David Jones/Amex alliance allowed Company to

- transfer \$374.3m of debt funded receivables to American Express
- release approx \$35m of cash from working capital
- transfer responsibility for credit policy to Amex
- deliver at least 7.5% EBIT growth p.a. over the next 5 years
- build a long term loyalty card business
- already have tens of thousands of David Jones Amex card holders
- expect Receivables base to grow 3 to 4 times over next 5 years

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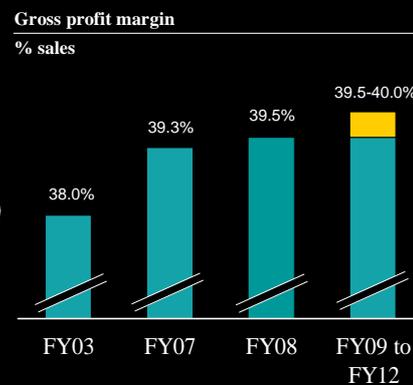
Sources of Growth



5. Continue to Sustainably Improve Gross Profit Margin

David Jones will improve gross profit margin to within a range of 39.5% to 40.0% through the cycle

- Improved higher margin category and brand mix in new stores and refurbishments
- Comprehensive renegotiation of trading terms
- Sustained margin management through cycle



Note: FY03 adjusted for AIFRS

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Sources of Growth



6. CODB Reductions to continue in the FY09-FY12 period

David Jones plans to deliver CODB improvements while maintaining our service levels

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Sources of Growth



6. We announced in March 2008 we were implementing 74 cost efficiency projects

Group	Number of Projects
Stores Administration and Supply Chain	43
Non-merchandise Procurement	6
Retail Development	3
Finance	11
Human Resources	4
Marketing and Advertising	7
Total	74

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Sources of Growth



6. CODB Reductions since March 2008

- We are implementing a further 40 cost efficiency projects (total 114) to address the worsening retail and macro economic environment
- We have plenty of CODB leverage to generate further savings in the future
- We have a proven track record of sustainably reducing costs without adversely impacting our brand

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Sources of Growth



7. Ongoing Brand Introductions

- In July 2008 David Jones announced the introduction of 50 new department store exclusive brands to its portfolio across all categories including Speedo swimwear, Shu Uemura, Canali, American Apparel, Fred Bare & Hogan
- In February 2009 David Jones announced that major Australian youth brand *Industrie* had exited Myer & become department store exclusive to David Jones. *Industrie* generates ~ \$85m in sales p.a.
- David Jones is continuing to add to its brand portfolio with many opportunities arising as a result of the current challenging retail environment

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Sources of Growth



7. Ongoing Brand Introductions

New Brands Being Introduced

- Kikki K
- Mimco Shoes
- Zegna Underwear
- G-Star
- CK Cosmetics
- I Brite Express
- Gorgeous Cosmetics
- Baskin & Robbins
- Martha Stewart

New Brand Installations

- Emporio Armani Accessories
- Marc Jacob Accessories
- Industrie (Mens, Womens, Kids)
- Ksubi (Mens, Womens)
- DKNY Kids
- Nudie
- Swiss Army
- Tissot

New Brand Installations

- Delongi
- Olga Berg
- Sony
- Bose
- Miele
- Apple
- Kate Spade Home
- Max Brenner

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Funding of Growth



- David Jones' strategic growth plan for FY09-FY12 will require an investment of approx \$400m
- David Jones is capable of funding the entire FY09-FY12 strategic growth initiatives from
 - capex (capped at \$50m p.a.)
 - external stakeholders
 - DRP
 - proceeds from sale of Bourke St Home Store (\$42m)
 - \$65m-\$80m as working capital released through a number of initiatives
- No additional debt funding required

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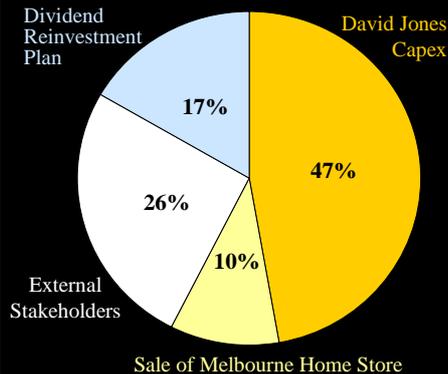
Funding of Growth



Significant investment funded from a number of sources

Investment funding distribution

% total spend



Total Investment	\$400m
Dividend Reinvestment Plan (FY09 and FY10)	(\$70m)
Sale of Melbourne Home Store	(\$42m)
External Stakeholder Funding	(\$100m)

Total Net Capital Funded by David Jones ~\$190m
i.e., ~\$50m p.a.

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Conclusion



- David Jones has
 - a loyal customer base
 - a strong & growing stores portfolio (each store well located & a positive EBIT contributor)
 - best brand portfolio
 - a growing David Jones Amex & Store card business
 - ownership of key assets
 - incentivised employee structure (from frontline to executives)
 - world class IT systems
 - a strong balance sheet
 - low debt
 - strong cash flows
 - attractive dividends
 - a strong platform for growth over next 3-4 years
 - good track record of managing the business through the retail cycle (including the ability to leverage the up-cycle)

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Conclusion



- Historically department stores are 'first in & first out' of an economic downturn
- The Company is well positioned to leverage and capitalise on the inevitable upturn
- The Company's strategic growth plan is on track to deliver significant benefits in future years
- Last but not least, the Company has strong cashflows, little debt and a policy of returning excess cash to shareholders in the most efficient manner over time

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David Jones Limited

Macquarie Australia Conference 2009

8th May 2009

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