



## **ASX & MEDIA RELEASE**

*24 November 2017*

### **2017 Annual General Meeting – 24 November 2017 Chairman's Address and Chief Executive Officer's Presentation**

Myer Holdings Limited (MYR) will today address shareholders at its Annual General Meeting to be held in Melbourne, commencing at 11.00am.

The Chairman's Address follows. We will lodge separately the Chief Executive Officer's presentation.

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## **MYER HOLDINGS LIMITED**

2017 Annual General Meeting  
Friday, 24 November 2017 at 11.00am  
Mural Hall, Myer Melbourne

### **Chairman's Address**

Good morning ladies and gentlemen, and welcome to the 2017 Annual General Meeting of Myer Holdings Limited.

My name is Paul McClintock, and in accordance with the Company's Constitution as the Company's chairman I am also chair of this meeting.

Before I go any further, I would like to acknowledge the custodians of the land on which we meet, the traditional owners of the Kulin nation, and I pay my respects to their elders past and present.

Walking up through our beautiful store today was a reminder of how this business is changing, with our Christmas preparations making the store look better than ever.

The answer to those who question the effectiveness of our leadership team, both board and management, is to be found in the comparison of what you see in the stores today with our position only a few years ago.

So, whatever the noise we have all endured over the past few months, the quality of the team's work is clear and is on display.

Whilst, I fully acknowledge the current share price, I ask you to also look at other indications of progress that will be outlined in detail during Richard's update later.

I would also like to highlight what an important day this is for our Company.

Today is your opportunity to give Myer's refreshed Board, and its new Chairman, a clear and unequivocal mandate for the future.

Today is your opportunity to send a strong message that you want the Board and management to get on with the job of delivering New Myer.

Today is your opportunity to send a message that you want a cohesive and united Board and management team that works together, in the best interests of our Company.

So today I will talk about what we have achieved over the last year in the delivery of the strategy, how it will evolve and, areas where we can do better.

I will also talk about our refreshed Board team that has the right leadership and skills in place to deliver our strategy over the next three years.

So, the time indicated in the Notice of Meeting has passed and as there is a quorum present, I declare the meeting open.

The Notice of Meeting was mailed to shareholders on 23 October – extra copies were available at registration along with the Annual Report.

As is customary, with the approval of the room, I will take the Notice of Meeting as read.

I would like to run through some important housekeeping matters.

The emergency exits are located behind you, at the entrance of the Mural Hall, and to my left. Should an emergency arise that requires evacuation, staff will be on hand to assist you. Please follow their instructions.

Please note that no photography or video or audio recording is permitted during the meeting. To ensure the meeting is not interrupted, I would ask that you turn mobile phones to silent, or turn your device off.

This meeting is being recorded and audio webcast live for those who are not able to join us here today.

So let me now share the agenda for today.

First I will make my address, which will be followed by a business update from Myer's Chief Executive Officer and Managing Director, Richard Umbers.

Following this, we will move to the formal business of the AGM.

As in past AGMs, Chris Froggatt, our Chair of the Human Resources and Remuneration Committee will provide an update on Myer's remuneration philosophy and strategy.

This year, we have a revised format for the meeting to make it more efficient and to improve the experience for attendees, as a whole. I will introduce and describe all of the agenda items for consideration. Shareholders will then have the opportunity to ask questions about, or make comments on, all agenda items rather than dealing with each item in turn.

We want to allow as many shareholders as possible to ask questions. To ensure the process runs smoothly, please keep your questions succinct, and relevant to this meeting.

As Chair of this meeting, I will also insist that we at all times remain respectful of each other, which has always been our custom at Myer.

I would now like to introduce other Board members who are with me on the stage today... on my right at the end -

Dave Whittle

- > Member of the Board since November 2015
- > Member – Audit, Finance and Risk Committee

Anne Brennan

- > Member of the Board since September 2009
- > Chairman – Audit, Finance and Risk Committee
- > Member – Human Resources and Remuneration Committee
- > Member – Nomination Committee

Bob Thorn

- > Member of the Board since February 2014
- > Member – Audit, Finance and Risk Committee

Chris Froggatt

- > Member of the Board since December 2010
- > Chairman – Human Resources and Remuneration Committee
- > Member – Nomination Committee

Our Company Secretary and Chief General Counsel Richard Amos

Then on my left - Richard Umbers, Myer's CEO and Managing Director.

Next to Richard is our CFO Grant Devonport, then

Garry Hounsell

- >Deputy Chair and Chair elect
- >Member of the Board since September 2017
- >Member – Human Resources and Remuneration Committee
- >Member – Nomination Committee

JoAnne Stephenson

- > Member of the Board since November 2016
- > Member – Audit, Finance and Risk Committee
- > Member – Human Resources and Remuneration Committee

Ian Cornell

- > Member of the Board since February 2014
- > Member – Human Resources and Remuneration Committee

And Julie Ann Morrison who just joined us in October.

I will speak further about JoAnne and Julie Ann, and the board generally, shortly.

Turning to management, apart from executives up here on the stage we have the leaders who featured in Myer's recent strategy day, which I hope many of you had the opportunity to watch.

They are Karen Brewster (EGM Merchandise Buying), Timothy Clark (EGM Property, Store Development and Services), Mark Cripsey (Chief Digital & Data Officer), Pete Mitchley-Hughes (Head of Transformation), Michael Scott (EGM Brand and Marketing), Louise Tebbutt (EGM Human Resources, Risk & Safety) and Louise Pearson (Group General Manager Retail Operations). I invite you to take the opportunity to meet with them after this meeting.

I would also like to convey the apologies of Tony Sutton (EGM Stores) and Damien Walton (EGM Merchandise Planning), who were not able to be here today.

Also here today are:

- Jason Perry from our auditors PricewaterhouseCoopers;
- Bruno Cecchini from our remuneration adviser Ernst & Young;
- Rory Moriarty and Rod Halstead representing our lawyers Clayton Utz; and
- Dan Reid representing our share registry Link Market Services.

## **2017 IN REVIEW**

So let me turn to the year in review – the second of our five year New Myer strategy.

The underlying NPAT result fell just short of the year before which was to the disappointment and frustration of all of us. It was close, but not there.

However, during the past year Myer continued to make strong progress across each of the key priorities of our New Myer strategy.

This has made us a more efficient and resilient business, which has in turn helped us to confront the challenging retail trading conditions.

We are rapidly evolving and adapting this strategy in response to changing customer preferences, particularly their online engagement and shopping habits.

Our omni-channel business continues to deliver strong growth in sales and profit.

We are prioritising investments in our omni-channel business, in digital and data, and reinforcing our commitment to increased productivity and efficiency.

We continue to reduce our store footprint through store closures and space hand backs and have reduced our footprint at our Richlands Distribution Centre in Queensland by 50%.

At our Docklands support office we have handed back over 30 percent of our floor space.

Experiential retailing has been a key focus to drive traffic in our stores. We continue to innovate with new and unique experiences, ice skating, Teslas in stores, Katy Perry, new cafes and pop up shops have all featured in the past 12 months. We also introduced dedicated clearance floors which are now in eight stores.

Many of these will take some time to reflect in sales, which in the short term reflect external conditions as much as the changes we are making. For the 12 month period total sales were down by 1.4 percent to \$3.2 billion, down 0.2 percent on a comparable stores basis.

The closure of three stores and space hand backs in two stores impacted the sales result but this was in part offset by continued strong growth in our online business as I have already mentioned.

During the period, we continued to improve productivity and efficiency by simplifying the operating model both within stores and the support office. The CODB margin reduced by a further 54 basis points to 31.85 percent.

Whilst NPAT pre implementation costs associated with New Myer and other individually significant items was \$67.9 million, those implementation costs associated with New Myer were \$20 million (pre-tax) relating mainly to space optimisation, asset impairments and redundancy costs.

On 20 July 2017, Myer announced the decision to write-down the full carrying value of Myer's 20 percent stake in Austradia of \$6.8 million after the business was placed into administration and negotiations to retain the brands as concessions in Myer on commercially acceptable terms were unsuccessful.

We had made this investment to secure the desired Top Shop brands, and we were disappointed that those negotiations did not find a way to secure the continuity we sought

As previously outlined in 1H 2017 and Q3 2017 results, the performance of sass & bide was below expectations during the period with sales in FY2017 \$10.9 million below the previous year. Therefore we recognised an impairment charge of \$38.8 million against the carrying value of the business.

However, we remain confident that this business can be returned to a satisfactory profit and that we are making the changes needed to achieve that.

The write-off of the Austradia investment and the impairment of sass & bide were non-cash individually significant items that were taken in the FY2017 results.

Net operating cash flows improved by \$1 million to \$187 million, even with EBITDA falling in the year. Inventory was \$24 million below last year representing a reduction in forward cover of more than one week. Capital expenditure in FY2017 was \$97 million reflecting expenditure across the key strategic priorities.

The Board determined a final dividend of 2.0 cents per share, taking the full year dividend to 5.0 cents per share fully franked.

Richard will speak to the 2017 result in further detail shortly.

## 2018

Turning to the current year you will have seen from our own sales figures, and those of the market generally, that trading conditions in the first half remain difficult.

The Company has not provided profit guidance this year, but as always, delivering a sound bottom line requires for us a good second quarter, and whilst we are better prepared than ever, we will still need the support of our customers.

## BOARD

I would now like to update you on the continued progress during the past year on Board renewal.

Since 2014 five Board members have retired and seven new members have been appointed.

We have at all times proactively sought to renew the Board, and to ensure we have the right mix of skills and experience.

The Board has a deep, diverse and relevant skill set, with experience in traditional retailing and also in fields that are shaping the new retail environment such as digital, data, customer experience and brand management.

The Board also has a wide range of skills acquired in other sectors and countries that are essential to deliver Myer's transformation including property, financial, risk management, change and talent management.

I would like to introduce to the room our new directors who are standing for election today in the order set out in the Notice of Meeting.

Firstly – it is my pleasure to introduce **JoAnne Stephenson** who has been a member of the Board since November of last year.

JoAnne has extensive experience spanning over 25 years across a range of industries JoAnne was previously a senior client partner in the Advisory division of KPMG and has key strengths in finance, accounting, risk management and governance. She is also a member The Institute of Chartered Accountants in Australia.

I am also pleased to introduce **Garry Hounsell** to his first AGM. Garry will take over as Chairman following this meeting.

Garry has had extensive experience as a Director and Chairman across a broad range of ASX-listed consumer facing businesses.

Garry's experience is diverse, working for companies that, like Myer, have undergone significant transformations. These companies include Qantas, Treasury Wines Estates, Dulux and Hello World Travel.

These companies operate in highly competitive market conditions and environments, and through good governance, strategy, and leadership have delivered for customers, and shareholders, alike.

He is one of Australia's most experienced directors and I have no doubt that he will be an outstanding Chairman of this Company.

And **Julie Ann Morrison** who has been a member of the Board since October.

Julie Ann has extensive experience in fashion retailing and brands from the sales floor through to merchandising, buying, marketing and as a managing director.

She was the Managing Director of Bulgari UK (2012 to 2014) concurrent with being the Managing Director of that company in Australia (2007 to 2014), which is part of the LVMH Group.

She was also the Managing Director of FJB Australia, the then largest luxury goods company in Australia, which had retail and distribution rights for brands including Gucci, Guess, Moschino, Lanvin and Fendi in South East Asia and Australia.

While at FJB, she also established an international licensing business for local and US brands including accessories for David Lawrence, Sportscraft, Ann Taylor (US) and Bill Blass (US).

So, we are a diverse team, have the right skills and, importantly, are united and cohesive.

I would now like to take this opportunity to thank Anne Brennan who is retiring after this meeting. Anne has made a significant contribution to the Myer Board since she was appointed in September 2009 and on behalf of shareholders – on behalf of the Board, I would like to thank Anne very much for her hard work and commitment – in particular in her role as the Chair of the Audit, Finance and Risk Committee.

## **INVESTING IN OUR COMMUNITIES**

One of the most rewarding parts of my role as Chairman of this great Company has been to witness the involvements and links to the communities where we operate.

Making a valuable and lasting contribution to key community groups and organisations has been a key pillar of Myer since the days of our founder Sidney Myer.

It is great to see this heritage live on and, to borrow from our Company theme:

*Giving truly lives here.*

There are so many Myer people doing great things and I would like to publically acknowledge them today.

As an influential Australian retailer we have a unique opportunity to make a positive social impact by enabling our team members, suppliers and customers to contribute to addressing important social issues.

Our community investment and partnerships are aligned with the theme 'empowering and supporting women; strengthening families'. We work primarily with our national partners White Ribbon Australia, Global Sisters and The Salvation Army to reduce family violence and its effects.

Our three major fundraising programs are:

- The Myer Community Fund Precious Metal Ball with our suppliers;
- Point of Sale Round-up, giving customers the opportunity to 'round-up' their purchase to the nearest dollar; and
- Team member fundraising activities at every Myer store, distribution centre and the national support office for smaller innovative projects in their local area.

Donations go to the Myer Community Fund, and are used to support the important work of our national and local community partners, aligned to our community investment theme. The Myer Community Fund is overseen by an independent Board and the effectiveness of the fundraising programs and impact of investments are evaluated annually.

In FY2017 the Myer Community Fund provided \$611,000 to our national community partners.

These funds:

- Assisted The Salvation Army in providing over 32,000 instances of family violence support such as crisis accommodation, specialist safety planning, counselling and outreach.
- Supported 360 'Global Sisters' with specific vulnerabilities, in their aspiration to achieve financial independence through micro business and retail marketing support.
- Helped prevent violence towards women through the delivery of White Ribbon Australia's award-winning 'Breaking the Silence' schools program, delivered to 100 schools across Australia, reaching 36,000 students.

This is just fantastic work, and I acknowledge, celebrate and thank everyone involved.

## **Premier**

It is at this point appropriate that I spend a moment to share with you the Board's thinking on the events that have played out, often in the media, in recent months.

There have been strong views expressed by one of Myer's major competitors who acquired 10.8% of shares in the company.

You will have received correspondence from Premier who has sought to have three of its nominees installed on the Myer Board, including two members of its own Board.

Let me be clear to shareholders that the Board has at all times remained focused on you our shareholders and therefore were never going to let a shareholder or competitor have undue influence on the Board....

Two weeks ago Premier Investments sent a letter to shareholders outlining a 'so called' strategy for Myer. Premier asked Myer shareholders to believe that it was a superior strategy for Myer.

It should not surprise you that I take a far, far more skeptical view. That is my job as Chairman to protect the interests of all shareholders.

I believe it was not a strategy for Myer, it was a strategy for Premier to run Myer for the benefit of Premier.

This would be achieved by installing their three nominees onto Myer's board, selling more of their products in Myer's stores and capturing the benefits of our attractive rentals in major shopping centres for the benefit of their own brands.

If Premier Investments wants to secure those benefits for their shareholders then they must pay you a premium for that benefit.

And, I would highlight to shareholders that this has been the strong view of ALL of the prominent proxy advisers, who have without exception recommended voting FOR all Myer's resolutions.

I would like to talk about a CEDA dinner I hosted with former Prime Minister, Paul Keating, last week .... and I know many people have many different views or opinions on him, but I really liked what he had to say.

He said leadership requires you to imagine what should be, what could be. You then need to pursue that objective with all your energy, and have indignation when someone tries to derail the project. I thought that was a brilliant analogy for where we are in this company – we have imagined how to make Myer relevant to a new generation, it is exceptionally difficult to get there but we have a plan, and Premier in our view, is seeking to derail it.



Don't get me wrong. I'm not phased in the slightest that the Board has come under attack – that goes with the territory – but as a representative of you, our shareholders, I am most concerned that tactics employed by Premier threaten the successful transformation of this great business, for our customers, for our shareholders and, for our team members.

Shareholders I have spoken to recently share my concerns, and have asked whether Myer has the strength to ensure that these tactics, which have unsettled our customers, do not become a permanent feature of our future.

I believe that the roles of aggressor and partner are inconsistent, and that Premier shareholders will come to the view that this campaign has alienated one of their important business partners.

So, as our shareholders, you will have the opportunity to express your view later in the meeting – and today you will decide with your votes whether the Company will be supported to finish the task of New Myer, or not. If you have not yet decided how to cast your vote, I urge you to listen to Richard Umbers' address when he will explain just how far we've come. This is a journey which should not be cut short.

It is the very strong conviction of the Board that all parties should listen to the wishes of our shareholders – all of you - and respect the outcome of today's ballot.

Debate about the composition of the Board should end here today, until we meet again in 12 months to vote again.

There has been a determined and vigorous campaign waged against the election of the Board's nominees. When the votes are counted, as in any election, there will be a winner, and we will heed that result. Mr Lew needs to do the same.

Ongoing public conflict has no winner. The Board will not compromise on its strong stance on corporate governance or Myer's independence. In all circumstances Myer strives for cordial and productive relationship with all its suppliers. Premier is not an exception and I hope that this meeting will mark the start of a return to our long standing previous relationship.

From today, the whole Myer team needs to be focused on delivering the best Christmas experience possible for our customers as well as for you our shareholders.

In closing, I am proud of what my Board and team has achieved in a tough retail market, and we know that there is more to be done and we seek your mandate to get on with the job.

I look forward to seeing our refreshed Board continue to evolve the New Myer Strategy, to work in a cohesive and constructive way with management, and to, importantly, represent the best interests of shareholders at all times; as I have endeavored to do in this role.

I thank you for the tremendous honour of being your Chairman.