



## David Jones Half Year (1H08) Results August 07 – January 08

Presenters:  
Mark McInnes – CEO  
Stephen Goddard – Finance Director

## 1H08 Financial Highlights



- 1H08 Profit after Tax +25.2%
- Dept Store EBIT +26.9%
- Financial Services EBIT +6.0%
- Interim Dividend of 11cps +22.2%

## 1H08 Financial Highlights



- 1H08 Gross Profit 39.8% +30 bp
- CODB 29.4% -110 bp
- Dept Store EBIT to Sales 10.4% +140 bp
- Total EBIT to Sales 12.1% +140 bp

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## Profit Summary



	1H08 \$m	1H07 \$m	Change %
- Department Stores EBIT	118.4	93.3	26.9
- Financial Services EBIT	18.4	17.3	6.0
<b>Total EBIT</b>	<b>136.8</b>	<b>110.6</b>	23.7
Interest Expense	(8.3)	(7.0)	19.3
Profit Before Tax	128.5	103.7	24.0
Tax	(39.5)	(32.6)	21.2
<b>Profit After Tax</b>	<b>89.0</b>	<b>71.1</b>	25.2

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# Cost of Doing Business



## 4D Income Statement

- **Other Revenue** (\$42.6m or -2.5%) – interest received reduced as bridge loan fully drawn in 1H07
- **Employee Expenses** (\$181.8m or +5.8%) – increase in salaries due to sales growth and additional resources for FY09-12 Plan
- **Lease & Occupancy** (\$83.2m or +4.3%) – increase broadly due to Sales growth after adjusting for S&L
- **Depreciation & Amortisation** (\$18.8m or +9.2%) – includes S&L depreciation

Contd.

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# Cost of Doing Business



## 4D Income Statement

- **Advertising/Merchandising/Visual** (\$28.8m or -11.9%) – efficiencies due to industry restructure
- **Administration** (\$14.9m or +9.7%) – reflects investment in resources for FY09-12 Plan
- **Net Financing** (\$21.5m or +6.5%) – reflects funding of properties for full 6 months (4 months in 1H07)
- **Other Expenses** (\$16.7m or +15.6%) – reflects investment in resources for FY09-12 Plan; increase in doubtful debts & timing of provisions

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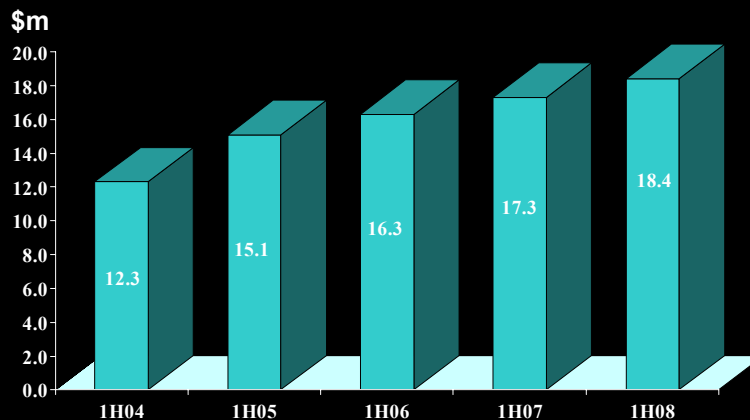
# Stock Management



- Continued track record of **tight stock management**
- Comparative inventory levels **less than LY** as at 26/1/08
- After adjusting for QueensPlaza, inventory levels +2.4% on last year on sales growth of +9.5% in 1H08
- Aged inventory levels again **maintained below 5%** of total inventory

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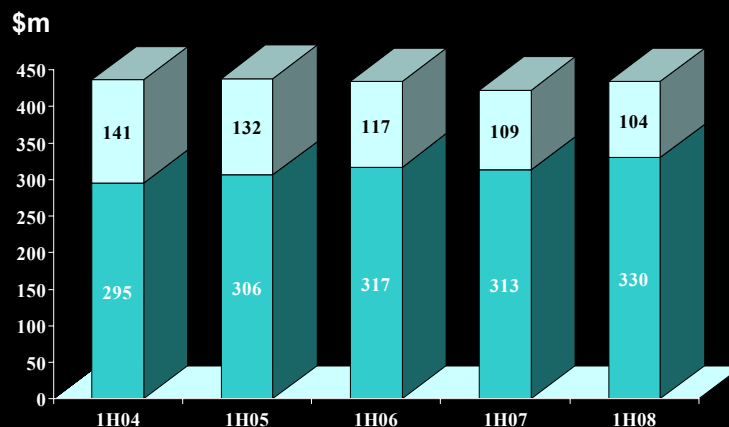
# Financial Services – EBIT



- Continued **solid performance** from Financial Services with **EBIT +6.0%**

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## Financial Services - Half Year-end Standard / Interest Free Receivables



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## Cash Flow



- Continuing **strong net cash flow** of **\$30.5m** for 1H08
- Key changes to net cash flow from 1H07:
  - increase in EBITDA of \$27.7m
  - increased tax paid of \$17.9m
  - increased dividend paid of \$13.7m
  - increase in working capital of \$23.2m (timing of payments)
- Non-current debt (after deducting cash) of \$150m at 26/1/08 vs \$171m at 27/1/07 – syndicated long-term facility of \$350m matures in Sept 2012

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# Cash Flow



	<b>1H 08</b>	<b>1H 07</b>
	<b>\$m</b>	<b>\$m</b>
EBITDA	155.5	171.5
Interest income/(expense)	(8.3)	(3.0)
Tax paid to ATO	(39.6)	(21.7)
Share based payment expense	4.8	4.3
Interest classified as financing activity	1.3	1.8
Net movement in working capital	(23.2)	(45.4)
Net movement in other assets/liabilities	4.3	3.7
<b>Operating cash flow</b>	<b>94.8</b>	<b>111.2</b>
Capital Expenditure	(19.4)	(387.2)
Payments for close out of Interest Rate Swaps	0.0	(40.8)
<b>Net Investing Cash flow</b>	<b>(19.4)</b>	<b>(428.1)</b>
<b>Free cash flow</b>	<b>75.5</b>	<b>(316.8)</b>
Dividends	(43.7)	(30.0)
Interest paid - RPS	(1.3)	(1.8)
Equity proceeds	0.1	0.1
<b>Net Cash flow</b>	<b>30.5</b>	<b>(348.5)</b>
Proceeds from borrowings	0.0	350.0
Repayment of borrowings	(180.0)	0.0
<b>Adjusted Cash Flow</b>	<b>(149.5)</b>	<b>1.5</b>

Note: 1H07 includes impact of Sale & Leaseback

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# Financial Health Indicators



	<b>1H 08</b>	<b>1H 07</b>
<b>Average Net Debt: Net Debt + Equity</b>	31.6%	11.5%
<b>Average Net Debt: EBITDA</b>	0.9	0.3
<b>EBITDA Interest Cover</b>	13.3	36.6
<b>Fixed Charge Cover</b>	3.5	3.2
<b>ROFE</b>	31.4%	43.2%
<b>ROE</b>	26.5%	28.0%
<i>Adjusting for S&amp;L for a full 12 months in rolling balance sheet 2006/7:</i>		
<b>Fixed Charge Cover</b>	3.5	3.3
<b>ROFE</b>	31.4%	28.0%
<b>ROE</b>	26.5%	25.7%

Note: Ratios on rolling 12 month basis

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# Interim Dividend



- **1H08 Dividend of 11 cents** per ordinary share (fully franked) declared
- **22.2% increase** on 1H07 dividend (9 cps)

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# Outlook



## 2H08

- Cycling high LFL sales base of 4.4% in 2H06 and 8.9% in 2H07
- To date in 2H08 trading at top end of 1% – 2% LFL sales growth guidance
- Reaffirm guidance for 2H08 of 8% – 13% PAT growth
- Expect LFL sales of 0% – 1% in FY09 & FY10, with 2-3 quarters of flat to negative growth

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# FY09-12 Strategic Plan



- David Jones announced FY09-12 Strategy on 4 March 2008
- The Strategy comprised 7 major sources of value
- David Jones committed to growing PAT by at least 5% - 10% through the cycle
- David Jones committed to growing dividends in line with profit, with a payout ratio of not less than 85%

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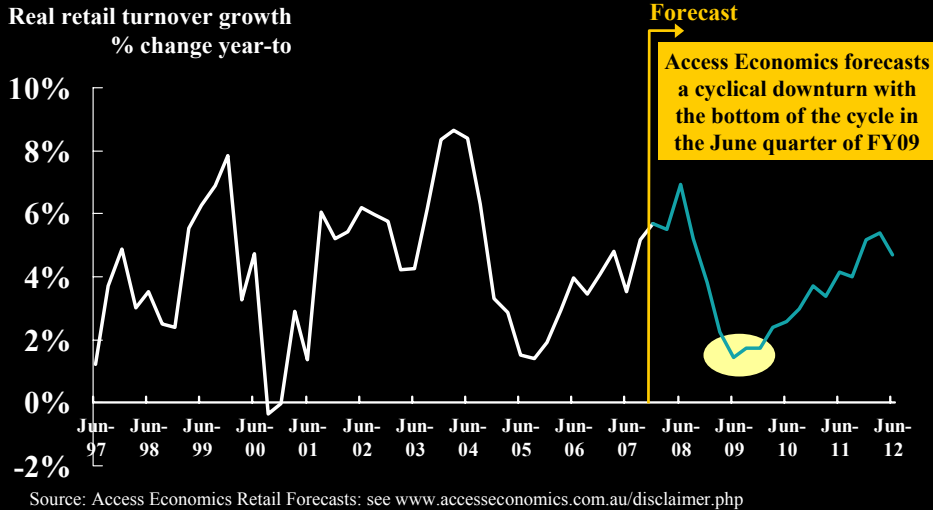
## Drive PAT & cashflow growth through seven major sources of value



1. Open high-value new stores in attractive locations
2. Capitalise on opportunity to increase high-margin categories and brands through strategic refurbishments of high-value stores
3. Launch a new David Jones branded American Express Card
4. Sustainably improve gross profit margin through the cycle
5. Continue CODB reductions while maintaining our service standards
6. Capital efficiency with future retail business growth strategies funded by a number of stakeholders
7. Economic cycle management to deliver PAT growth and dividend growth

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# Manage exposure to economic cycle



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# We will deliver PAT growth and dividend growth through the cycle



- David Jones will grow profit after tax through the cycle
- David Jones will continue to manage margins, variable costs and profits through the cycle

## Challenge

The economic cycle is a reality in the retail industry

There will be a cyclical downturn at some stage over the next two years

## Approach

We have a proven track record of growing PAT through a cyclical downturn

We expect total sales growth for FY09–FY10 to be between 1–3% p.a. as the cycle slows, with LFL sales growth of 0–1% p.a.

In previous downturns we have experienced 1–3 consecutive quarters of flat to negative LFL sales growth

We have cost, margin and growth initiatives to grow profits through the cycle

Impact of all internal and external refurbishment disruptions to sales and EBIT have been factored into our plan

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## Our sources of value will drive PAT growth of at least 5-10% each year



	FY09	FY10	FY11	FY12
<u>Total sales growth</u>	1-3% p.a.		Stronger sales growth	
• LFL sales growth (including strategic refurbishments)	0-1% p.a. (1-3 quarters of flat to negative LFL growth)		Higher LFL growth linked to cyclical upturn	
• High-value new stores sales growth	Doncaster		4-8 new stores	
<u>EBIT improvement</u>	39.5-40.0% throughout FY09-12			
• Gross Profit range	30-50 bp by FY10		Further 20-30 bp by FY12	
• Financial Services EBT growth	Minimum 7.5% p.a. growth off FY08 base of \$38m			

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## David Jones will continue to focus on cash generation and disciplined capital management



- Deliver strong cashflows from operations
- No additional debt funding to support growth initiatives
  - Capital efficient funding of \$400m investment (\$350m in growth strategies) from FY09 to FY12 with significant funding from a number of stakeholders – David Jones funds ~\$190m (~\$50m p.a.)
  - \$65m-\$80m inventory investment in new stores and refurbishments fully funded by working capital initiatives
- Maintain strong balance sheet

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## David Jones will continue to return cash to shareholders in the most effective way



- Continue to deliver dividend growth in line with profit growth and a payout ratio of not less than 85%
- Commitment to return excess cash to shareholders in the most efficient manner over time

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## Shareholder deliverables



- David Jones' strategy will deliver at least 5-10% p.a. PAT growth each year through the FY09-FY12 period:
  - Continue strong cashflow generation and effective capital management
  - Return excess cash to shareholders in the most efficient manner over time
  - Grow dividends in line with profit growth – not less than 85% payout ratio

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# 1H08 Results Summary



- Strong PAT growth in 1H08
- Reaffirm PAT guidance of 8%-13% growth in 2H08
- Reaffirm PAT guidance of at least 5%-10% across FY09-FY12
- Strong business model to provide Profit and Dividend growth over the long term

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(1H08) Results  
August 07 – January 08

26<sup>th</sup> March 2008