

DAVID JONES LIMITED
HALF YEAR (1H05) RESULTS
AUGUST 2004- JANUARY 2005



PRESENTERS
MARK McINNES - CHIEF EXECUTIVE
STEPHEN GODDARD - FINANCE DIRECTOR

1H05 Highlights



Delivering the Strategic Review Targets

- Strong business model
- 1H05 PAT* of \$52.9m ↑ 22%
- Company EBIT to Sales ratio ↑ 100 bp
- Department Store EBIT ↑ 19.7%
- Credit Card EBIT ↑ 24.4%
- CODB% ↓ by 120 bp – Cost Efficiency target 1 year ahead of schedule
- 1H05 Gross Profit margin of 37.2%
- Interim Dividend of 6 cps (fully franked) ↑ 20%

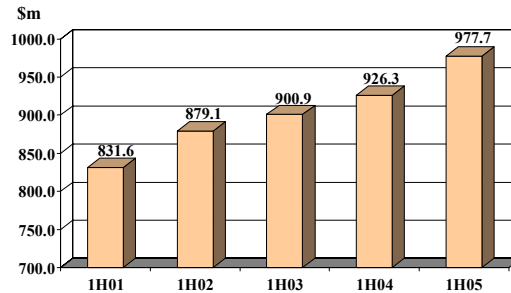
* pre reset preference shares (RPS) dividends

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Sales ↑ 5.5% on 1H04



Strategic Review announced 3 June 2003

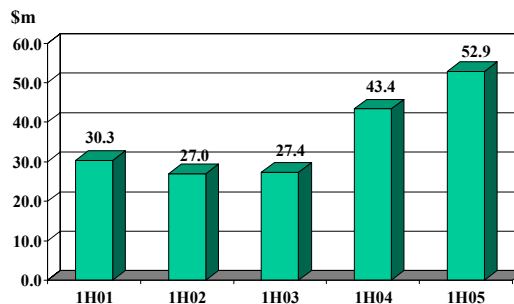
3

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Profit After Tax ↑ 22% on 1H04



Strategic Review announced 3 June 2003

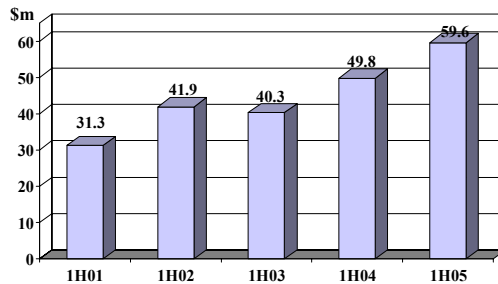
4

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Department Store EBIT ↑ 19.7% on 1H04



Strategic Review announced 3 June 2003

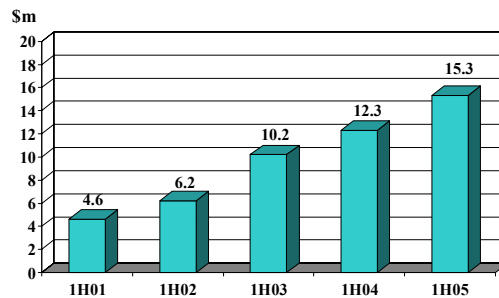
5

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Credit Card EBIT ↑ 24.4% on 1H04



Strategic Review announced 3 June 2003

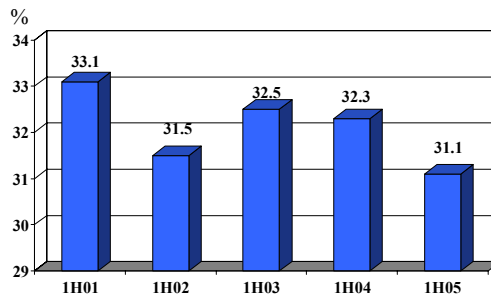
6

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Cost of Doing Business% ↓ 120 bp



Strategic Review announced 3 June 2003

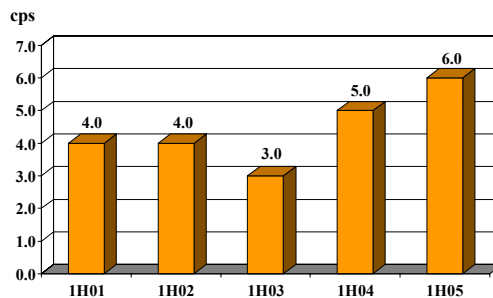
7

1H05 Highlights

Delivering the Strategic Review Targets



1H05 Dividend ↑ 20% on 1H04



Strategic Review announced 3 June 2003

8

EBIT Summary



	1H05	1H04	% Change
Total Sales (\$m)	977.7	926.3	+ 5.5%
EBIT Contribution from:			
- Department Stores	59.6	49.8	+ 19.7%
- Credit	15.3	12.3	+ 24.4%
- Property	<u>1.6</u>	<u>1.4</u>	<u>+ 14.3%</u>
EBIT	76.5	63.4	+ 20.7%
EBIT % to Sales Ratio	7.8%	6.8%	+ 100 bp

9

PAT Comparison



	1H05	1H04	Change
	\$m	\$m	%
EBIT	76.5	63.4	+20.7%
Interest Income/(Expense)	0.8	(1.1)	N/A
PBT	77.3	62.3	+24.1%
Less Tax	<u>24.4</u>	<u>18.9</u>	<u>+29.1%</u>
PAT	52.9	43.4	+21.9%
EPS (c)	12.1	9.9	+22.2%
DPS (c)	6.0	5.0	+20.0%

10

Cost of Doing Business



	1H05	1H04	Change
Sales	977.7m	926.3m	+5.5%
CODB	303.8m	299.1m	+1.6%
CODB%	31.1%	32.3%	- 120 bp

4D Statement of Financial Performance:

Employee Expenses	+ 8.5m
Lease & Occupancy	- 4.4m
Depreciation & Amortisation	- 3.0m
Advertising/Merchandising/Visual	+9.1m
Administration	- 3.8m
Other Expenses	<u>- 1.5m</u>
	+4.9m

11

4D Analysis



Our Strategic Review objective was to reduce non-customer related costs (ie. costs that do not impact our customer service or offering):

Other Revenue

- ↑ 16% or \$4.7m - increase in interest received and credit card income

Employee Expenses

- ↑ 5.7% or \$8.5m - increase in salaries in line with sales to support service & brand initiatives

Lease & Occupancy

- ↓ 5% or (\$4.4m); but disruption allowance for Eliz St & Bourke St \$5.8m vs \$0.7m LY – adjusted increase in Occupancy 1% reflecting cost efficiency initiatives

12

4D Analysis



Depreciation & Amortisation

- ↓ 14% or (\$3.0m) – cost efficiencies due to lower capex spend (\$12.2m in 1H05) and Useful Life of Assets project

Advertising/Merchandising/Visual

- ↑ 36% or \$9.1m – increase in competitive advertising, launch of Eliz St G & LG Floors and Bourke St Foodhall.
Note: significant one-off cost efficiencies in 1H04 showing decrease of 5% over 1H03 – LFL 1H05 increase approx 15% p.a. over 2 yrs

Administration

- ↓ 22% or (\$3.8m) – cost efficiencies in Legal, Consulting, Insurance

Other Expenses

- ↓ 9% or (\$1.5m) – cost efficiencies in Finance, Distribution, Layby

13

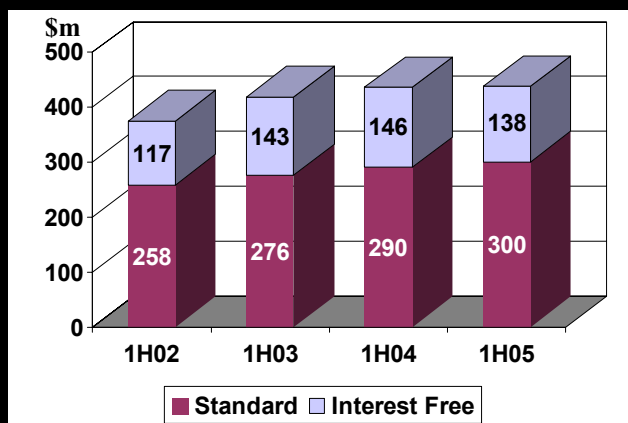
Inventory



- LFL inventory increase + 2%
- Balance related to timing due to 53rd week in FY04
- Aged inventory less than 5% of total inventory

14

Credit - Half Year-end Standard/ Interest Free Receivables



15

Funds Employed



	1H05 (\$m)	1H04 (\$m)
Inventory	309.1	290.8
Trade Payables	<u>(228.0)</u>	<u>(222.1)</u>
	81.1	68.7
Receivables - current	54.9	49.0
Other Creditors - current	<u>(11.3)</u>	<u>(11.4)</u>
Working Capital	124.7	106.3
Receivables – non current	4.8	5.6
Other Creditors – non current	<u>(25.8)</u>	<u>(25.3)</u>
Fixed Assets	<u>259.2</u>	<u>253.7</u>
Total Funds Employed	362.9	340.4
Tax Balances	15.4	24.0
Restructuring	<u>(0.4)</u>	<u>(1.7)</u>
Dividend	<u>(2.4)</u>	<u>(2.7)</u>
Net Assets Employed	375.5	360.0
Cash/(Debt)	<u>103.0</u>	<u>88.4</u>
Total Equity	478.5	448.4

16

Balance Sheet



	1H05 \$m	1H04 \$m
Current Assets		
Inventory	309.1	290.8
Other Current Assets	<u>184.6</u>	<u>165.3</u>
	493.7	456.1
Non Current Assets		
Property Plant & Equipment	223.8	216.2
Other Non Current Assets	<u>50.4</u>	<u>50.5</u>
	274.2	266.7
Total Assets	<u>767.9</u>	<u>722.8</u>

..... contd.

17

Balance Sheet



	1H05 \$m	1H04 \$m
Current Liabilities		
Creditors & Provisions	262.7	247.1
Borrowings	<u>0.7</u>	<u>1.7</u>
	263.4	248.8
Non Current Liabilities		
Creditors & Provisions	26.0	25.6
Borrowings	<u>-</u>	<u>-</u>
	26.0	25.6
Total Liabilities	<u>289.4</u>	<u>274.4</u>
Net Assets & Shareholder Equity	<u>478.5</u>	<u>448.4</u>

18

Cash Flow



	1H05	1H04
	\$m	\$m
EBITDA	95.0	85.0
Interest	0.8	(1.2)
Tax	(25.5)	(8.2)
Net movement in Working Capital	<u>(28.4)</u>	<u>40.1</u>
Operating Cash Flow	41.9	115.7
Cash Significant Items	<u>(0.4)</u>	<u>(13.0)</u>
Operating Cash Flow	41.5	102.7
Capital Expenditure	(12.2)	(16.7)
Other	<u>0.1</u>	<u>0.1</u>
Net Investing Cash Flow	(12.1)	(16.6)
Free Cash Flow	29.4	86.1
Dividends	(27.9)	(15.0)
Equity Proceeds	5.3	-
Borrowing Proceeds/(Repayments)	<u>(0.9)</u>	<u>1.6</u>
Net Cash Flow	<u>5.9</u>	<u>72.7</u>

19

Financial Health Indicators



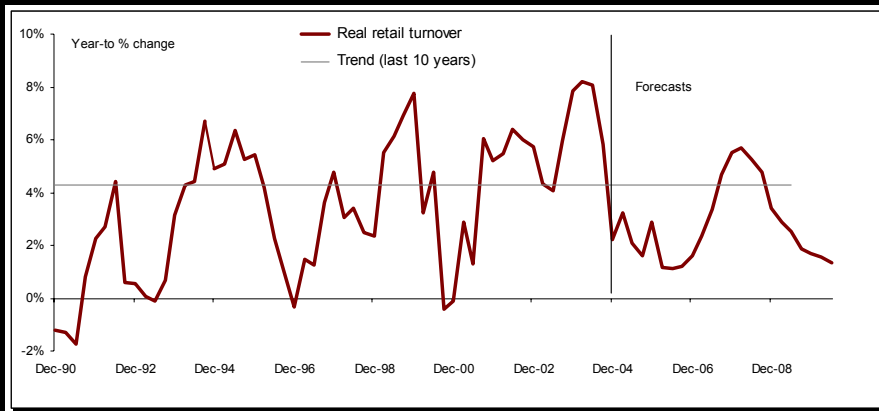
	1H05	1H04
EBITDA Fixed Charge cover	3.40	2.98
EBIT Fixed Charge cover	2.93	2.46
EBITDA Interest cover	86.48	37.86
EBIT Interest cover	69.63	28.24
ROFE (7-month average)	20.81%	16.66%
ROE (7-month average)	11.75%	10.39%

20

Looking Forward



Independent Economic Forecast



Source : ABS, Access Economics

21

Looking Forward



- We are confident our business model will deliver 5% - 10% p.a. PAT growth & strong dividends in:
 - FY05
 - FY06
- We are confident that through work undertaken to date & initiatives to be implemented, we can outperform the economic cycle in FY07 & FY08

22

Strategic Review Update

2H05 Outlook

- Expect flat sales growth in 2H05
- Over past 6 months business has prepared for slower revenue growth
- Cost Efficiencies
 - Already achieved FY05 savings target
 - Major cost efficiencies in telecommunications contract, marketing contracts, packaging, IT expenses, supply chain, non merchandise procurement
 - CODB% ↓ by 120 bp – 1 year ahead of Strategic Review Cost Efficiency schedule
 - Commenced implementation of Cost Efficiency program for FY06 – one off costs to be incurred in 2H05 & cause CODB% ↑ by net 20 bp in 2H05, but FY05 CODB% to be ↓ than FY04 by > 60 bp

23

Strategic Review Update

2H05 Outlook

- Credit Card
 - Expect to deliver Credit Card EBIT growth at top end of 5% -10% target in 2H05
- Category Mix & Labour Productivity
 - Ensure most efficient use of inventory & labour to reflect customer demand without compromising service levels
- Gross Margins
 - Middle of 36.5% - 36.9% target range

24

Strategic Review Update

FY06

- Expect flat Sales growth
- Gross Margins bottom of 36.5% - 36.9% target
- Significant opportunities for Cost Efficiency savings – 67 non-merchandise procurement contracts under renegotiation and will deliver savings in FY06
- Targeting CODB% reduction of 20 – 40 bp – implementation has begun
- Credit Card EBIT growth to stabilize at 5% - 10% p.a.
- Ongoing dividend increase in line with Company's PAT increase 5% - 10%

25

Phase 2 Strategic Review

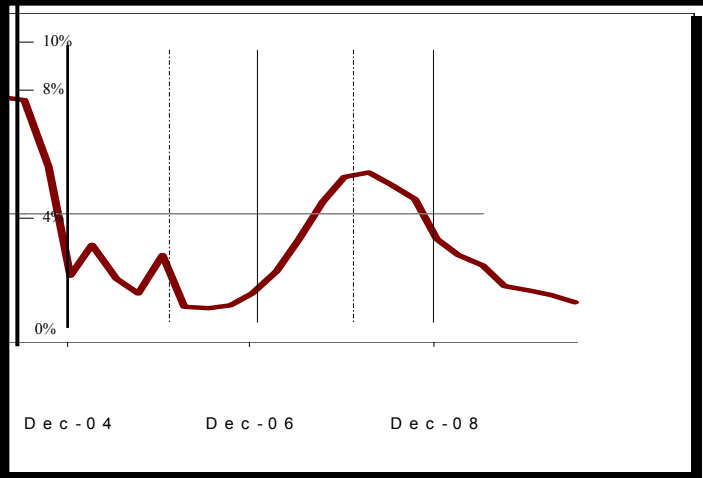
FY07/FY08

- Over past 6 months work commenced on Phase 2 of Strategic Review
- Have identified initiatives to deliver benefits in FY07 & FY08
- Based on work undertaken to date, confident our business model will enable Company to deliver in each of FY07 & FY08:
 - 5% -10% PAT growth p.a.
 - Strong dividends

26



Independent Economic Forecast



Source : ABS, Access Economics

27

FY07

- Sales Revenue
 - Expect growth of 2.5% - 4%
 - Independent economists forecasting mild strengthening in consumer spending – should translate into LFL sales revenue growth of 1% - 2% for DJs
 - New Queen St store scheduled to open mid 06 – double existing floor space – expected to generate revenue growth of 1.5% - 2%
- Cost Efficiencies
 - Targeted 10 – 20 bp net reduction in CODB%

28

FY07

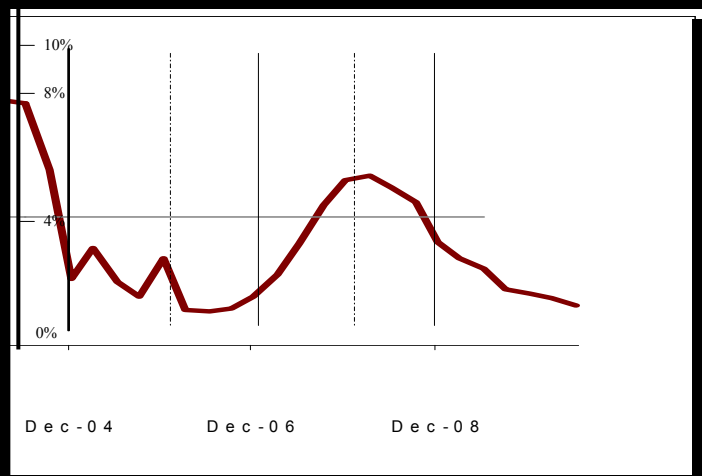
- Credit Card
 - EBIT growth of 5% - 10% p.a.
- Capex
 - \$50m cap p.a.
- Gross Profit
 - GP margins at middle of target range 36.5% - 36.9%
- Dividend
 - Ongoing increase in line with Company's PAT increase of 5% - 10%

29

Looking Forward



Independent Economic Forecast



Source : ABS, Access Economics

30

- Sales Revenue growth
 - Premature to provide guidance
 - Independent economists suggest return to stronger consumer spending
- Cost Efficiencies
 - Confident of further sustainable savings being generated
- Credit Card
 - EBIT growth of 5% - 10% p.a.
- Capex
 - \$50m cap p.a.
- Dividend
 - Ongoing increase in line with Company's PAT increase of 5% - 10%

Shareholder Reward Program



- Review completed
- Decision to retain & restructure program to ensure it:
 - is the most attractive dept store loyalty offering in the market
 - generates value for all shareholders
 - retains existing customers
- Restructure will deliver \$2.5m - \$3.5m net cost savings p.a.
- 2 stage restructure:
 - i) Immediate abolition of \$50 annual fee
 - ii) As from 1 July 05:
 - Adopt flat 3% discount rate on all merchandise (instead of 7.5% on Apparel, Cosmetics, Homewares & 3% for other categories)
 - reduce minimum shareholding eligibility from 2000 to 1500 ordinary DJ's shares
- Most attractive dept store loyalty offering in the market :
 - 1 card, 1 statement, 1 reward structure
 - No annual fees

Capital Management



- Capital Management review progressing well
- Significant financial arrangements such as banking syndicate and sale & leaseback refinancing due for completion Aug-Nov 05
- Prudent to wait until financial arrangement negotiations are further progressed before making final decision on company's Capital Management alternatives

33

Dividend



- Interim Dividend of 6 cents per ordinary share (fully franked)
- 20% increase on dividend paid in 1H04 (5cps)
- Indication of Board's & Management's confidence in DJs business model & ability to deliver:
 - PAT growth
 - Dividend growth, through the economic cycle

34

Conclusion



- Delivering the Strategic Review targets
- Focused on the job ahead
- Confident of our business model
- Confident of our guidance for FY05
- Confident of 5% - 10% PAT growth in FY06
- Confident of 5% - 10% PAT growth in FY07 & FY08
- Attractive Dividends in line with Profit growth
- Ability for Capital Management to provide increased shareholder value
- Returning extra cashflows to shareholders in the most efficient manner over time

35



David Jones Limited First Half Results Presentation

Questions & Answers

22 March 2005

36