

# DAVID JONES LIMITED

## FULL YEAR (FY05) RESULTS

AUGUST 2004 - JULY 2005



### PRESENTERS

MARK McINNES - CHIEF EXECUTIVE

STEPHEN GODDARD - FINANCE DIRECTOR

## FY05 Financial Highlights



- **Highest Full Year Profit Result** reported by David Jones since listing in 1995
- **Strong Business Model** enabled the Company to deliver **19.2% Profit after Tax\*** growth in FY05 despite weak retail conditions in 2H05 (**\$77.9m FY05** vs. \$65.3m in FY04)
- **Proven ability to manage the economic cycle** and to deliver increasing returns to shareholders throughout the peaks & troughs of the cycle

\* PAT is Profit After Tax before Reset Preference Share dividends and not utilising International Financial Reporting Standards

## FY05 Financial Highlights



- **Total Company 'EBIT to Sales Ratio' up 65 basis points** (6.05% FY05 vs. 5.4% FY04)
- **Department Store EBIT up 13.7%**
- **Credit Card EBIT up 16.6%**
- **Cost of Doing Business reduced by 80 basis points** ( 32.7% in FY05 vs. 33.5% in FY04)

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## FY05 Financial Highlights



- Further **Cost Efficiency savings** expected in FY06, FY07 & FY08
- **Gross Profit Margins of 36.8%** - at upper end of 36.5%-36.9% target range
- **Strong Cashflows - \$147m** cash on hand at year-end
- **FY05 Dividend up 18.2%** (**13 cents per share** in FY05 vs. 11 cents per share in FY04)

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## Results Summary



	<b>FY2005</b>	<b>FY2004</b>	<b>% Change</b>
Total Sales (\$m)	1799.1	1769.5	+ 3.3% *
Total EBIT (\$m)	108.8	95.3	+ 14.2%
Profit After Tax (\$m)	77.9	65.3	+ 19.2%
Basic EPS (c)	17.4	14.6	+ 19.2%
DPS (c)	13.0	11.0	+ 18.2%

\* Like for Like Sales

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## PAT Comparison



	<b>FY2005</b>	<b>FY2004</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
EBIT	108.8	95.3	+ 14.2%
Less Interest Income / (Expense)	<u>2.9</u>	<u>-0.6</u>	n/a
PBT	111.7	94.7	+ 17.9%
Less Tax	<u>-33.8</u>	<u>-29.4</u>	+ 15.2%
<b>PAT</b>	<b><u>77.9</u></b>	<b><u>65.3</u></b>	<b>+ 19.2%</b>

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## EBIT Summary



	FY2005	FY2004	Change
<b>EBIT Contribution from:</b>	<b>\$m</b>	<b>\$m</b>	<b>%</b>
- Department Stores	73.9	65.0	+ 13.7%
- Credit	32.2	27.7	+ 16.6%
- Property	<u>2.7</u>	<u>2.6</u>	+ 3.8%
<b>Total EBIT</b>	<b><u>108.8</u></b>	<b><u>95.3</u></b>	<b>+ 14.2%</b>
EBIT % to Sales Ratio	6.05%	5.4%	+ 65 bp

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## Cost Efficiency



- **Cost Efficiency program** achieved its target **one year earlier** than planned
- Result is particularly pleasing given that:
  - a number of one-off costs incurred in 2H05 re establishment and implementation of specific cost efficiency initiatives impacting FY06 – FY08
  - the Cost Efficiency targets were achieved without taking into account the added benefit of \$8.6m reduction in depreciation expense in FY05 from Company's review of the Useful Life of Assets

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## Cost of Doing Business



	FY 2005	FY 2004	Change
	\$m	\$m	%
Total Sales	1799.1	1769.5	+ 1.7%
			+ 3.3% *
CODB	588.9	592.2	- 0.5%
CODB %	32.7%	33.5%	- 80bp

\* Like for Like Sales

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## Cost of Doing Business



### 4E Statement of Financial Performance

**Other Revenue (+\$34.4m or +52.3%)** - due to sale of Queen St store & additional income from Credit Card

**Employee Expenses (+\$6.9m or +2.4%)** – broadly in line with Sales

**Lease & Occupancy (-\$0.3m or -0.2%)** – flat, reflecting Disruption Allowance and Cost Efficiency work

**Depreciation & Amortisation (-\$8.1m or -19.0%)** – reflects Useful Life of Assets project (\$8.6m) and benefit of reduced Capex

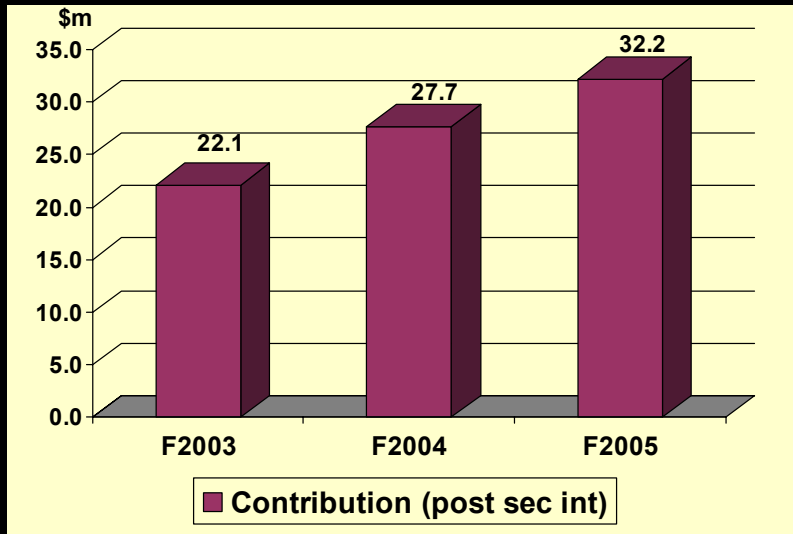
**Advertising/Merchandising/Visual (+\$5.3m or +9.4%)** – reduction of spend by \$3.8m in 2H05 as advertising market softened

**Administration (-\$8.2m or -21.6%)** – reflects Cost Efficiency work

**Other Expenses (+\$0.5m or +1.8%)** - flat, reflecting Cost Efficiency work

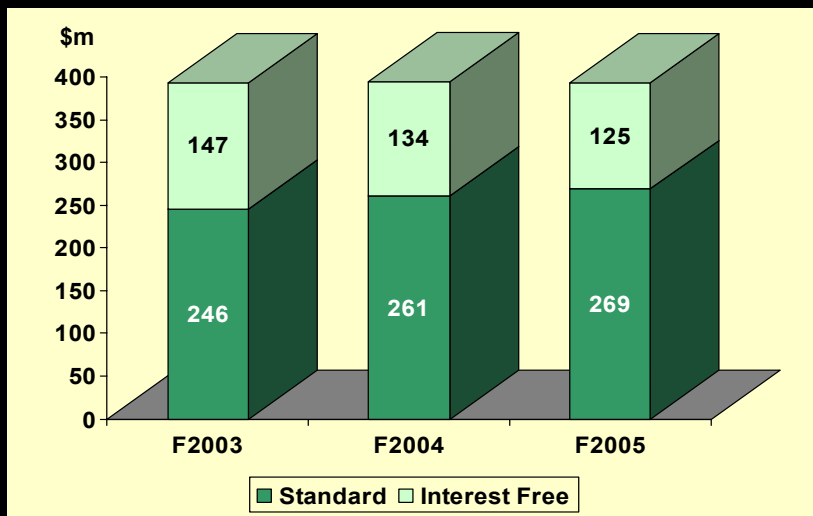
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## Credit – EBIT (post securitised interest)



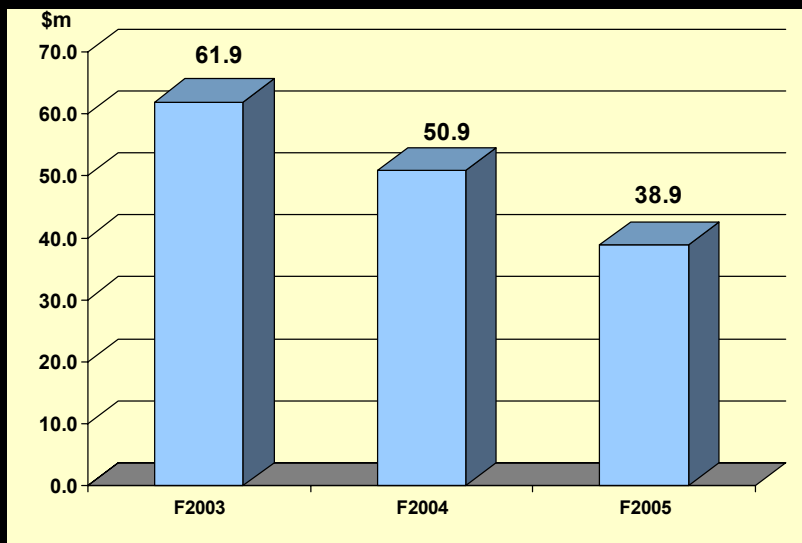
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## Credit - Year-end Standard/Interest Free Receivables



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## Capital Expenditure



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## Stock Management



- Continued track record of **tight stock management**
- **Aged inventory** levels for the group again **maintained at below 5% of total inventory**
- **FY05 total level of inventory 5.5% lower** than at end of FY04

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## Cash on Hand



- **Cash on Hand** at year end **\$147.2m** vs \$97.8m in FY04
- Additional cash generated due to:
  - strength of business
  - sustainable cashflows
  - sale of Queen St property – generated \$27m cash in July 2005

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## Cash Flow



	FY2005	FY2004
	\$m	\$m
EBITDA	143.6	138.2
Interest Income / (Expense)	2.9	( 0.6)
Tax	( 37.1)	( 9.0)
Net reduction in Working Capital	2.6	55.8
Other Operating Cash Flows	<u>1.9</u>	<u>( 3.8)</u>
<b>Operating Cash Flow</b>	<b>113.9</b>	<b>180.6</b>
Cash Significant Items	<u>( 0.6)</u>	<u>( 13.6)</u>
<b>Operating Cash Flow</b>	<b>113.3</b>	<b>167.0</b>
Capital Expenditure	( 38.9)	( 50.9)
Disposal of Assets	26.9	0.1
Other	<u>0.2</u>	<u>0.2</u>
<b>Net Investing Cash Flow</b>	<b><u>( 11.8)</u></b>	<b><u>( 50.6)</u></b>
<b>Free Cash Flow</b>	<b>101.5</b>	<b>116.4</b>
Dividends	( 55.8)	( 38.2)
Equity Proceeds	<u>5.4</u>	<u>0.8</u>
<b>Net Cash Flow</b>	<b><u>51.1</u></b>	<b><u>78.9</u></b>

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## Funds Employed



	FY2005	FY2004
	\$m	\$m
Inventory	289.2	306.2
Trade Payables	<u>(243.0)</u>	<u>(254.6)</u>
	<b>46.2</b>	<b>51.6</b>
Receivables - current	57.8	55.9
Other Creditors - current	<u>( 8.9)</u>	<u>( 9.8)</u>
<b>Working Capital</b>	<b>95.1</b>	<b>97.7</b>
Receivables – non current	4.5	5.1
Other Creditors – non current	<u>( 27.6)</u>	<u>( 28.0)</u>
Fixed Assets	<u>241.5</u>	<u>266.0</u>
Total Funds Employed	<b>313.4</b>	<b>340.8</b>
Tax Balances	17.5	14.3
Restructuring	<u>( 0.1)</u>	<u>( 0.7)</u>
Dividend	<u>( 2.2)</u>	<u>( 2.6)</u>
Net Assets Employed	<b>328.6</b>	<b>351.8</b>
Net Debt	<u>147.2</u>	<u>96.1</u>
Equity	<b>475.8</b>	<b>447.9</b>

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## Financial Health Indicators



	FY2005	FY2004
Year end net debt: net debt + equity	(44.8%)	(27.3%)
EBITDAR Fixed Charge cover	2.75	2.64
EBIT Fixed Charge cover	2.32	2.12
EBITDA Interest cover	66.30	38.15
EBIT Interest cover	50.25	26.31
ROFE (year-end)	35.3%	28.5%
ROFE (average)	30.1%	26.1%
ROE (year-end)	16.8%	15.0%
ROE (average)	17.1%	15.5%

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## Dividend



- **Record Dividend** to be paid – **13 cents** per ordinary share (fully franked) **for FY05**
- **18.2% increase** on dividend paid in FY04 (11 cps)
- **2H05 Dividend of 7 cents** per ordinary share (fully franked)

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## KPIs post Strategic Review



- Company has **achieved each of its stated targets** since Strategic Review
- Delivered most notably:
  - An **increase in PAT of 82%** - from \$42.7m\* in FY03 to \$77.9m in FY05
  - An **increase of 117% in fully franked Dividends** per ordinary share from 6cps in FY03 to 13cps in FY05

\* \$42.7m is PAT before significant items in FY03

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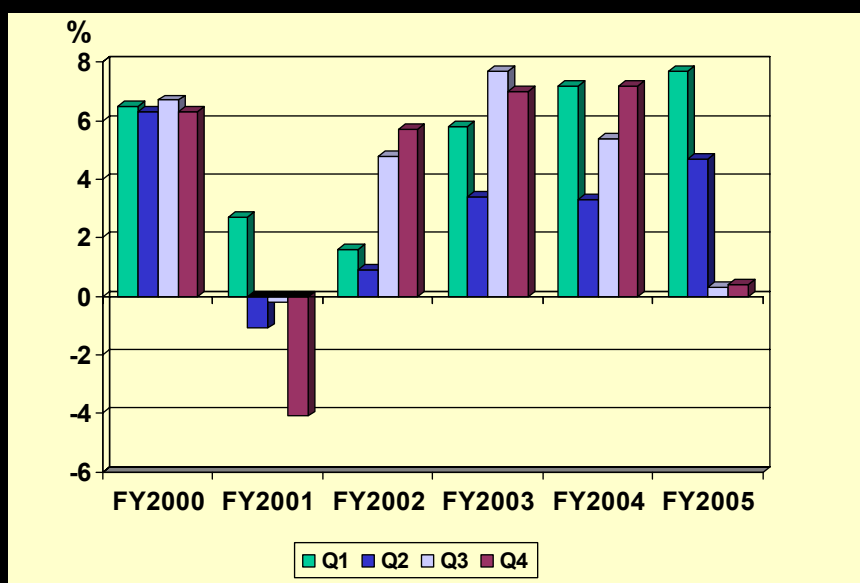
## KPIs post Strategic Review



	FY2005	FY2004	FY2003	%Change 03 to 05
Sales (\$m)	1799.0	1769.5	1711.2	+ 5.1%
EBIT before Significant Items (\$m)	108.8	95.3	65.2	+ 67%
PAT before Significant Items & before RPS Dividends (\$m)	77.9	65.3	42.7	+ 82%
Cash at Year End (\$m)	147.2	97.8	17.3	+ 751%
Capital Expenditure (\$m)	38.9	50.9	61.9	- 24%
CODB %	32.7	33.5	33.7	- 100bp
FY05 Dividend (fully franked) (cps)	13	11	6	+ 117%

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## LFL % Sales Growth (by Quarter)



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## Outlook



- FY06 market conditions as expected
- Cycling high 1Q05 sales growth of 7.7% enhanced by Olympics and Interest Free
- Sales for 1Q06 forecast at -3% to -4%, with non big ticket categories flat
- Anticipate 2Q06 will see a modest improvement with flat sales growth for Christmas quarter
- Further strengthening of sales growth in 2H06
- Confident that Company's business model will deliver 5%-10% PAT growth in FY06 (at lower end of target range)
- Confident of delivering 5%-10% PAT growth in FY07 & FY08

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## AIFRS



- AIFRS changes are **non-cash related**
- Underlying **business not impacted** – **excellent performance continues**
- Maintain **NPAT guidance of 5%-10% growth** (on an AIFRS adjusted FY05 base) in FY06, FY07 & FY08
- Increased **Dividend Payout Policy of 85%** of PAT (under AIFRS) with effect from FY06
- Capital Management on track
  - cash and **franking credits unchanged**
  - can **utilise AGAAP retained earnings** of \$75m to 31/01/06
  - **non-cash** capital reduction in 2006

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## AIFRS Profit & Dividend



FY05	AGAAP	AIFRS
PAT pre RPS Dividend (\$m)	77.9	68.7
RPS Dividend (\$m)	4.8	4.8
PAT post RPS Dividend (\$m)	73.1	63.9
Dividend per Share (cents)	13	13
Payout ( % )	76	87

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## Summary



- Underlying **business continues to perform well**
- Business model enables us to **improve PAT and Dividends** throughout the cycle
- Strong **Cash position**
- Ongoing **Profit growth** of 5%-10% for FY06, FY07 and FY08

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