

# WHL

## WOOLWORTHS ROADSHOW PRESENTATION

ACQUISITION OF DAVID JONES

9 & 10 MAY 2014



DAVID  
JONES

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This announcement includes forward-looking statements subject to risks and uncertainties, which are based on current expectations, assumptions and projections about future events and trends that may affect the business of David Jones and WHL. Several factors may adversely affect the estimates and assumptions on which these statements are based. The information has not been reviewed or reported on by the reporting accountants and auditors and no assurance can be given by WHL that such expectations will prove correct.

# STRATEGIC RATIONALE



# ACQUISITION SUPPORTS OUR STRATEGY

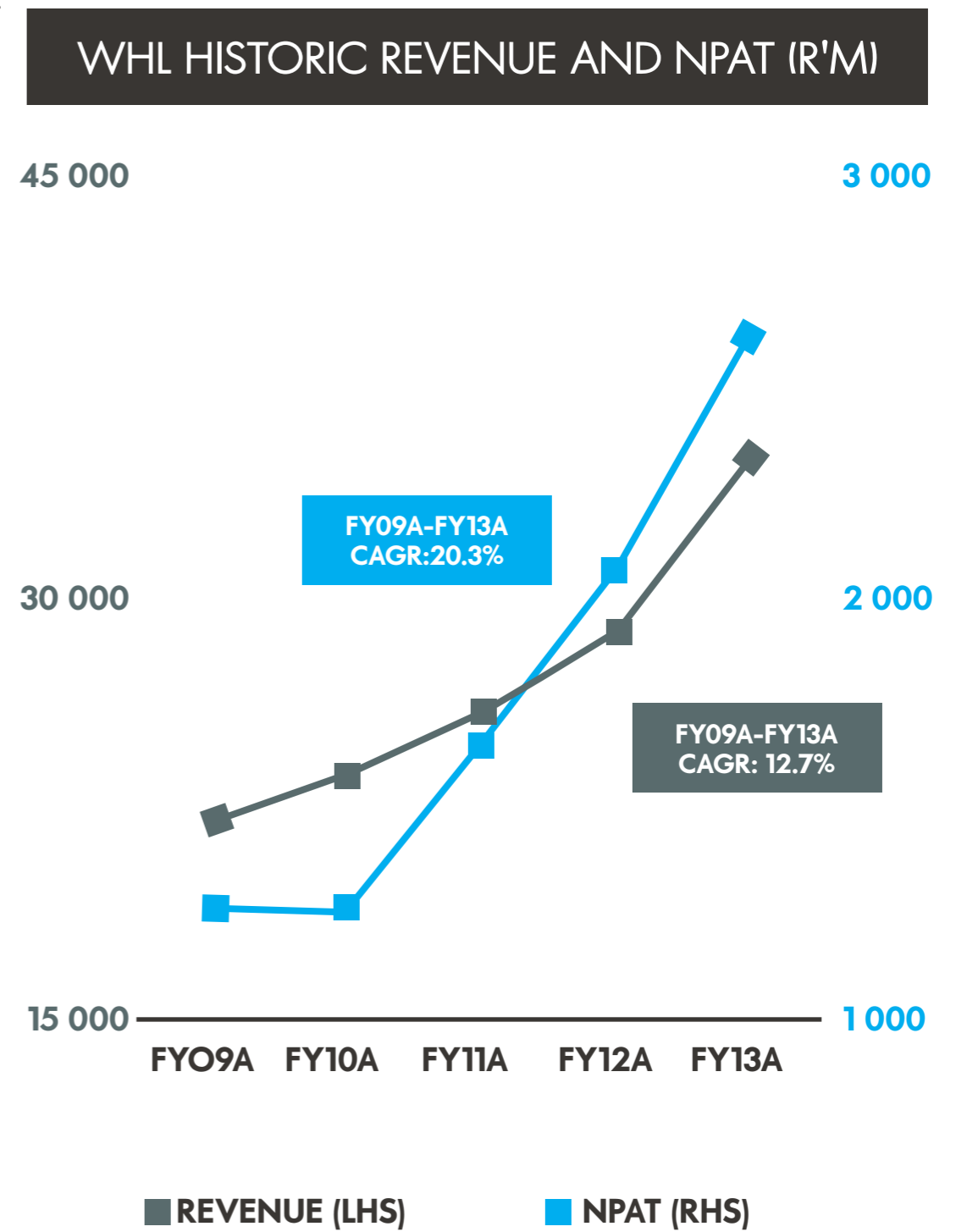
- Be a leading southern hemisphere fashion retailer
- Drive synergies and efficiencies across the group
- Build stronger, more profitable customer relationships
- Become a big foods business in South Africa
- Offer simple, convenient and rewarding financial services
- Embed sustainability throughout our business

**DAVID JONES IS A  
PARADIGM-CHANGING  
ACQUISITION THAT  
DELIVERS ON 3 OF OUR 6  
STRATEGIC INITIATIVES**



# CHANGING DYNAMICS IN SOUTHERN HEMISPHERE RETAIL

- **WHL continues to pursue aggressive growth plans across Africa (including South Africa) to benefit from forecast sub-Saharan GDP growth of ~5%**
  - Opening new stores
  - Expanding existing stores
  - Launching Country Road Group brands across South Africa and Africa
  - Expanding online offering
- **WHL's southern hemisphere focused strategy has been very effective, with sales and profit in food and clothing growing materially over recent years**
- **WHL recognises the market is changing**
  - More northern hemisphere retailers are entering the southern hemisphere (such as Zara, H&M, Top Shop and Walmart through Massmart)
  - This and online retail will change the face of southern hemisphere retailing over the next 5 years
- **WHL believes the answer to this is to**
  - Compete from a position of southern hemisphere strength
  - Build a large scale, highly efficient South African -headquartered business
  - Capitalise on the low cost, fast fashion design capability already established within WHL
  - Take WHL products and brands into other markets, exploiting the scale benefits of an enlarged group
  - Adopt an omni-channel approach to retailing



# AUSTRALIAN EXPANSION THE OPTIMAL NEXT STEP

## ■ WHL has conducted an extensive analysis of all relevant southern hemisphere markets

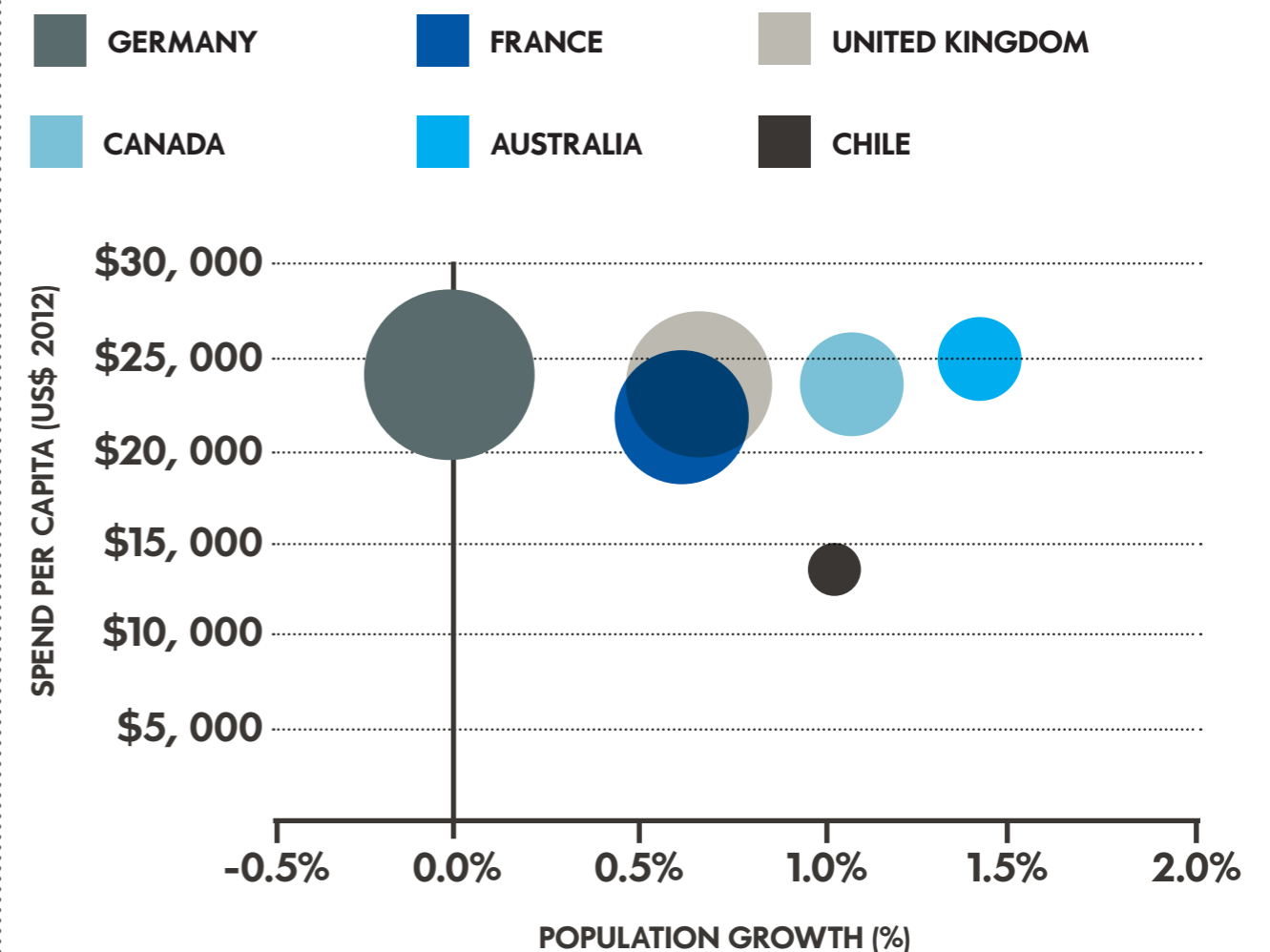
- Being a leading fashion retailer in the southern hemisphere is one of WHL's strategic objectives
- Southern hemisphere expansion allows WHL to leverage common fashion seasonality with enhanced sourcing capability, a key advantage over WHL's larger, northern hemisphere competitors

## ■ WHL has concluded that further expansion within the Australian market is attractive

- Higher population growth and household spend per capita than most other developed countries
- WHL has a long and successful track record in the Australian retail sector (Country Road and more recently Witchery)
- David Jones is a highly attractive opportunity of sufficient size to deliver on WHL's strategy

## HOUSEHOLD SPEND AND POPULATION GROWTH<sup>1</sup>

BUBBLE REPRESENTS POPULATION SIZE



1. Citi, What's In Store? Issue 66: International Retailer Infiltration, February 2014.

# DAVID JONES AN ICONIC AUSTRALIAN BRAND

- **Founded in Sydney, Australia in 1838 and first listed in 1920**
- **Department store retailer focused on aspirational and premium customer segments**
  - Strong player in the premium segment
  - >35% market share of high-end and mid-end department store spend<sup>1</sup>
  - ~10% market share of all Australian (including budget) department store spend<sup>2</sup>
  - ~2% market share of Australian non-food retailing<sup>3</sup>
- **David Jones' Target Customer is:**
  - A/B demographic
  - Predominantly female, spanning three generations
  - Annual income >A\$75,000 p.a.
  - Well travelled / educated / brand and fashion aware
- **Operates 36 stores and 2 warehouse outlets throughout Australia**
- **Owens flagship stores in Sydney and Melbourne (estimated market value of A\$612m (R6.1bn))<sup>4,5</sup>**
- **Carries a range of leading Australian and international brands, many on an exclusive basis**
- **Product portfolio includes womenswear, menswear, shoes and accessories, beauty products, childrenswear, electronics and general merchandise**
- **FY13A financial results**
  - A\$1.8bn sales (R16.8bn)<sup>6</sup>
  - A\$206m EBITDA (R1.9bn)<sup>6</sup>

1. IBISWorld, Department Stores in Australia, November 2013, market share split between Myer and David Jones.

2. IBISWorld, Department Stores in Australia, November 2013, market share.

3. Citi, David Jones and Myer, Alert: Merger Doesn't Stack Up, March 2014, market share.

4. In 2012, an independent valuation conducted concluded that the potential net work of the properties was A\$612m.

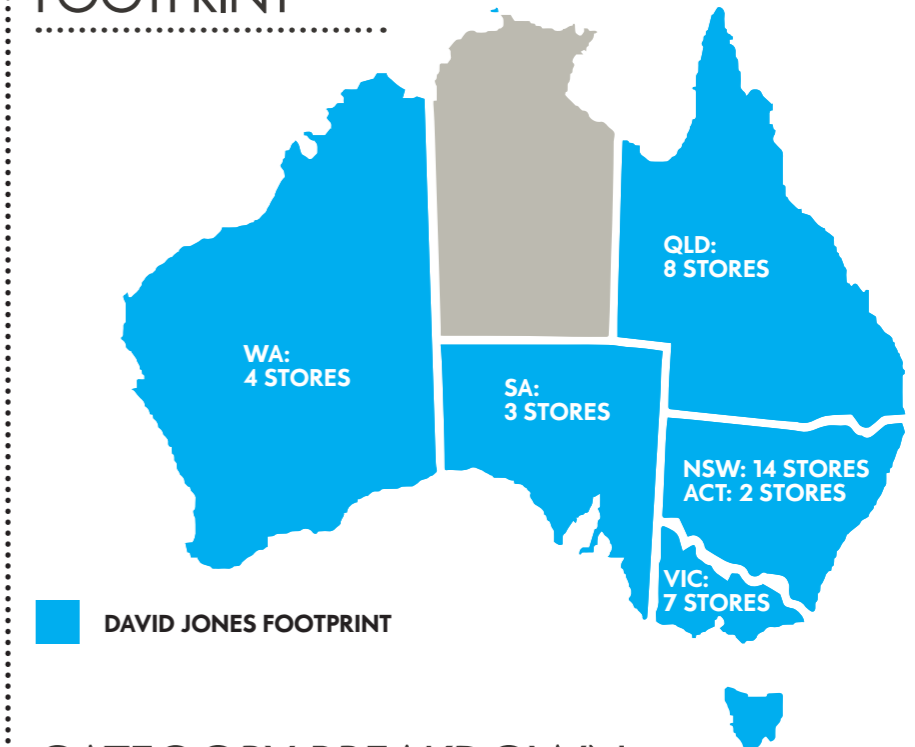
5. Assumes A\$ figures are converted at the R/A\$ exchange rate of 9.95, the current forward exchange rate which is expected to be in line with the spot rate at completion.

6. A\$ figures are converted at the R/A\$ exchange rate of 9.12, the daily average of the exchange rate from 29/07/2012 to 27/07/2013, being the 52 weeks period of David Jones' financial year for 2013.

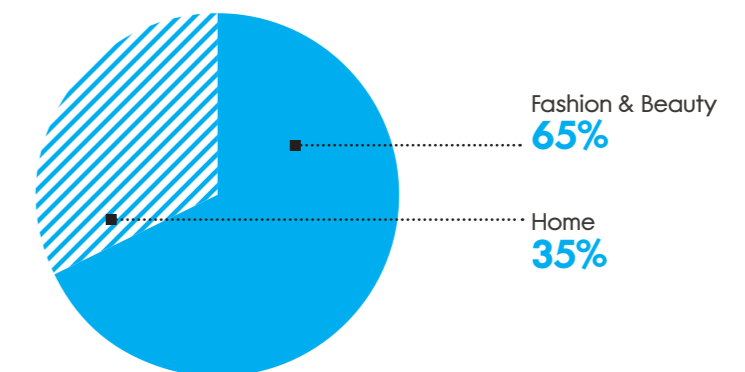
7. Woolworths management estimates.

8. Pitney Bowes MapInfo, Port Jackson Partners analysis.

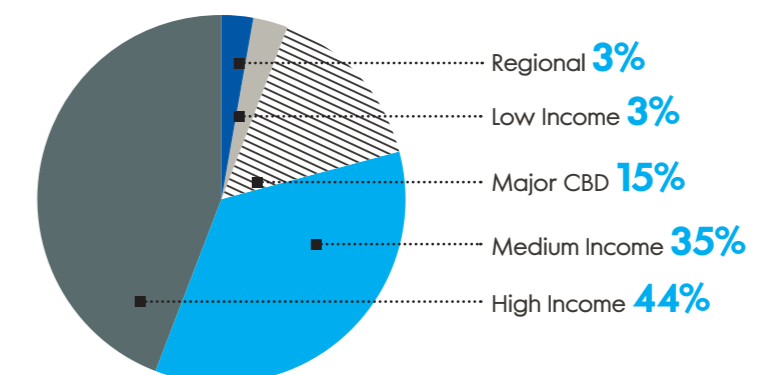
## FOOTPRINT



## CATEGORY BREAKDOWN (BY REVENUE)<sup>7</sup>



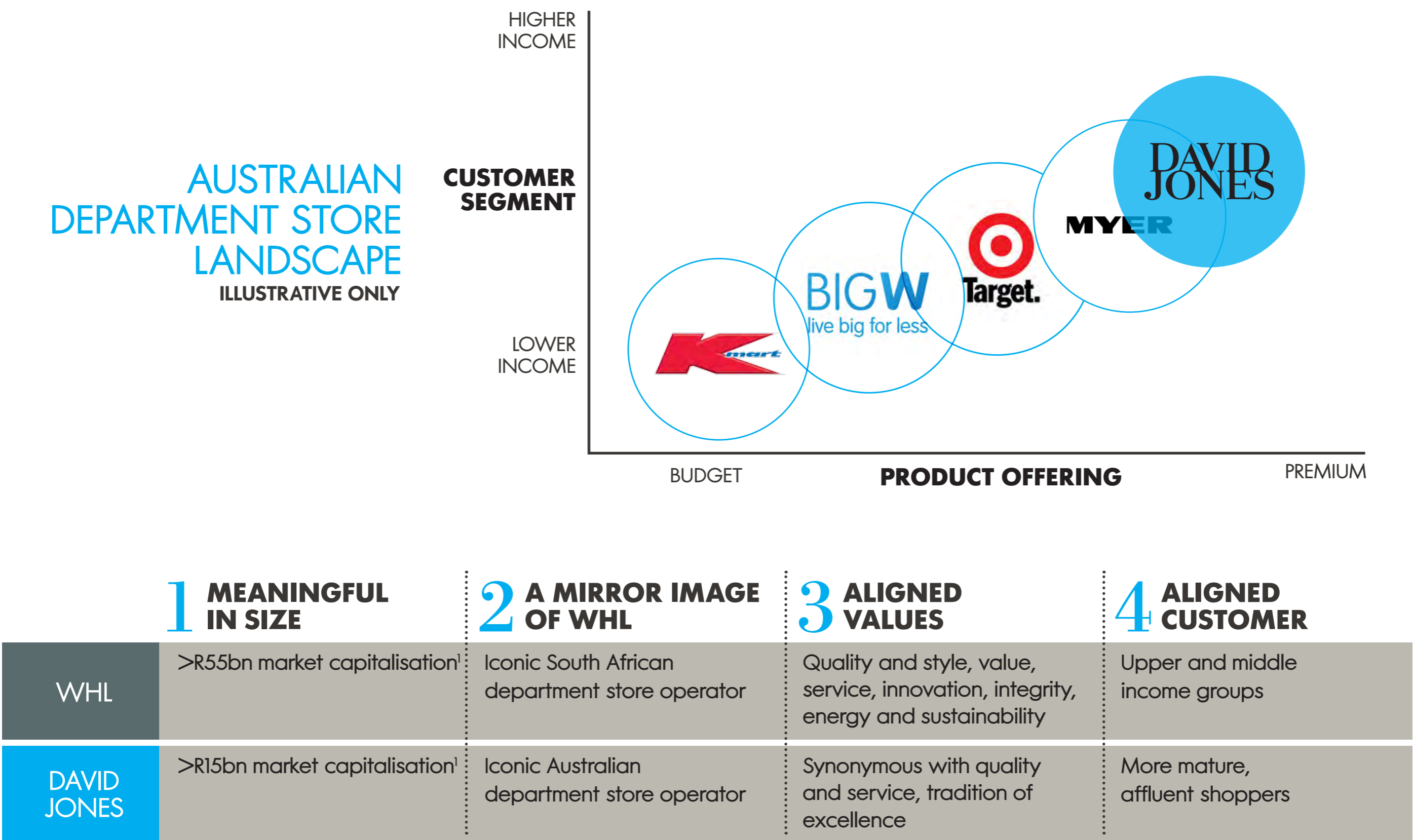
## CUSTOMER BREAKDOWN (BY REVENUE)<sup>8</sup>



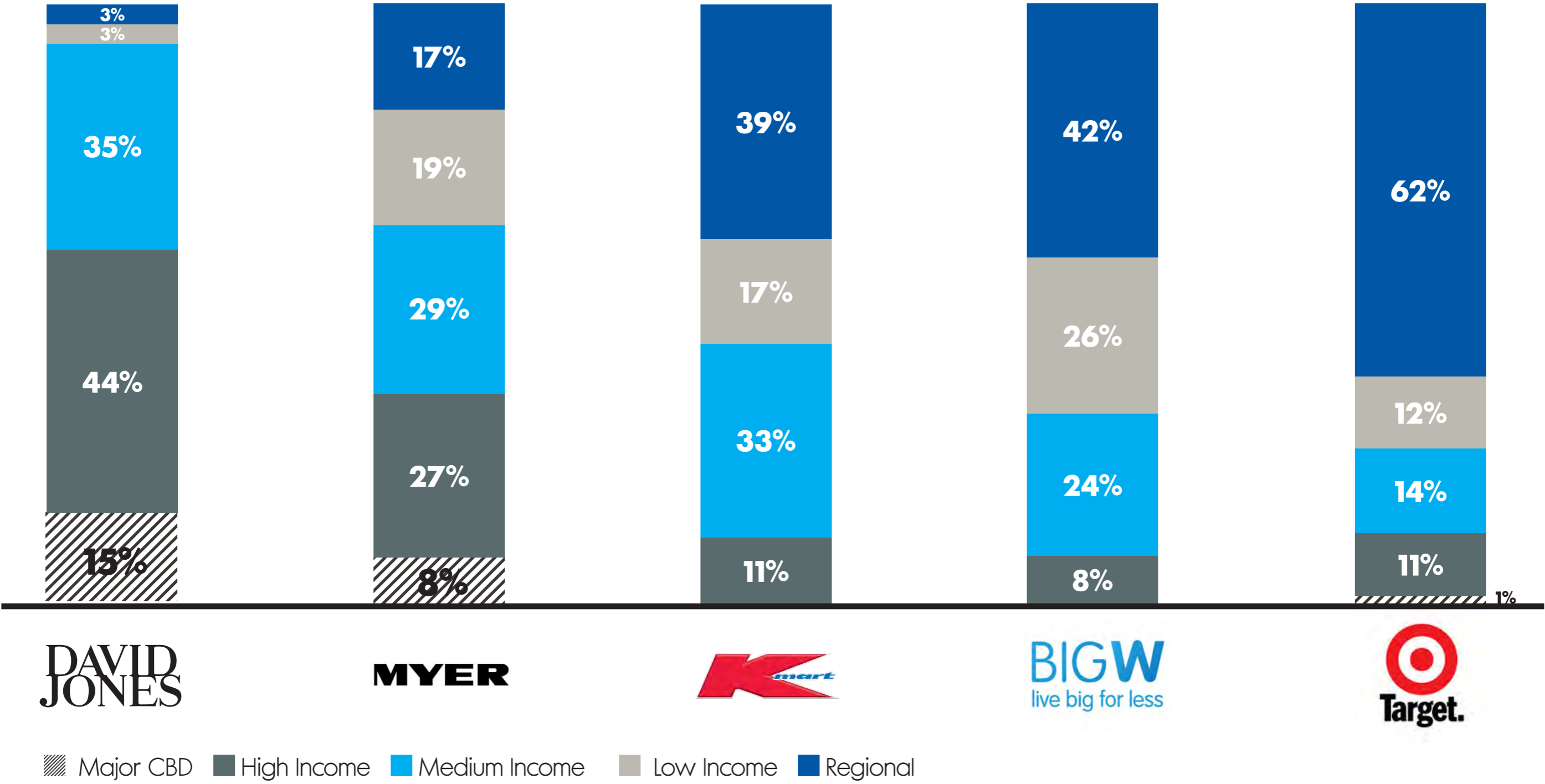
# DAVID JONES 3Q14 SALES

- On 6 May 2014, David Jones announced its 3Q14 Sales
- Total Sales up 4.1%
- Like-for-Like (LFL) Sales up 2.4%
- Online Sales continued to grow; up 190% on previous year comparative period
- Womenswear, Menswear, Shoes, Accessories, Beauty and Homeware all delivered positive sales growth
- All states delivered sales growth except for South Australia, which was impacted by the refurbishments of Adelaide Central Plaza and Queensland, which was impacted by the centre refurbishments at Toowong Village and Garden City

# THE PERFECT PLATFORM FOR AUSTRALIAN EXPANSION



# STORE PORTFOLIO COMPARISON BY # OF STORES



Source: Pitney Bowes MapInfo, Port Jackson Partners analysis.

# COMPELLING STRATEGIC RATIONALE

**1**

Strong platform for continued expansion – a mirror image of WHL with meaningful size, aligned values and aligned customers in an attractive market, well known to WHL

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**2**

Ensures strong defensive position against northern hemisphere entrants in both South Africa and Australia through scale and global sourcing opportunities to deliver more competitive pricing for our customers

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**3**

Leverages design, procurement and scale within WHL and maximises product and sourcing capabilities, which will drive significant margin improvements across the combined group and will increase our brand exports, strengthening our talent pool and labour force

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**4**

Growth of WHL brands through introduction to David Jones stores

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**5**

Leverages systems, omni-channel and CRM knowledge and capability; will encourage significant skills transfer with associated technological and product innovation

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**6**

Expected to provide attractive IRR and strong earnings growth from a materially higher base

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**7**

Opportunity to realise additional value from flagship owned property portfolio

**SYNERGIES**



# VALUE CREATION OPPORTUNITIES IN EXCESS OF ~ R1.4BN PER ANNUM WITHIN 5 YEARS<sup>1</sup>

|   |   | EBIT IMPACT    | TIMING OF BENEFITS |
|---|---|----------------|--------------------|
| 1 | INTRODUCTION OF WHL PRIVATE LABEL               | A\$70m -A\$80m | FY15E - FY17E      |
| 2 | GROWTH OF CRG CONCESSION BRANDS                 | A\$30m -A\$40m | FY15E - FY17E      |
| 3 | INTRODUCTION OF DAVID JONES LOYALTY SCHEME      | Nil assumed    | FY16E - FY18E      |
| 4 | ENHANCE OMNI-CHANNEL PERFORMANCE                | Nil assumed    | FY15E - FY19E      |
| 5 | OPTIMISE GROUP REAL ESTATE PORTFOLIO            | A\$20m -A\$30m | FY17E - FY19E      |
| 6 | IMPROVED MARGIN THROUGH GROUP SOURCING STRATEGY | A\$10m -A\$20m | FY16E - FY19E      |
|   |   | TOTAL ~A\$130m |                    |

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**1.** Represents incremental earnings before interest and tax ("EBIT") .

# 1. INTRODUCTION OF WHL PRIVATE LABEL

- David Jones private label contribution only ~3.5% of sales (all sourced through 3rd parties so not 'true' private label)
- Opportunity to increase this to at least 20% (international department store benchmark), resulting in significantly improved margins and prices

## WHL BRANDS

- Focus on grids 2, 3 & 4
- Introduction of RE: (mens, womens, kids)
- Introduction of Studio w (mens, womens, home)
- Introduction of JT One

## DAVID JONES (THROUGH WHL)

- Mens and womens classic
- Lingerie
- Kids
- Homeware

**EBIT IMPACT**  
**A\$70m-\$A80m**

**TIMING OF BENEFITS**  
**FY15E – FY17E**



# INTRODUCTION OF RE: (MENS, WOMENS, KIDS)

BACK TO PRIVATE LABEL



# INTRODUCTION OF STUDIO W (MENS, WOMENS, HOME)

## BACK TO PRIVATE LABEL



# INTRODUCTION OF JT ONE

BACK TO PRIVATE LABEL



## 2. GROWTH OF CRG CONCESSION BRANDS

### ■ David Jones and the CRG customer:

- CRG affinity with David Jones of 3.2x
- CRG return per sqm significantly above David Jones average

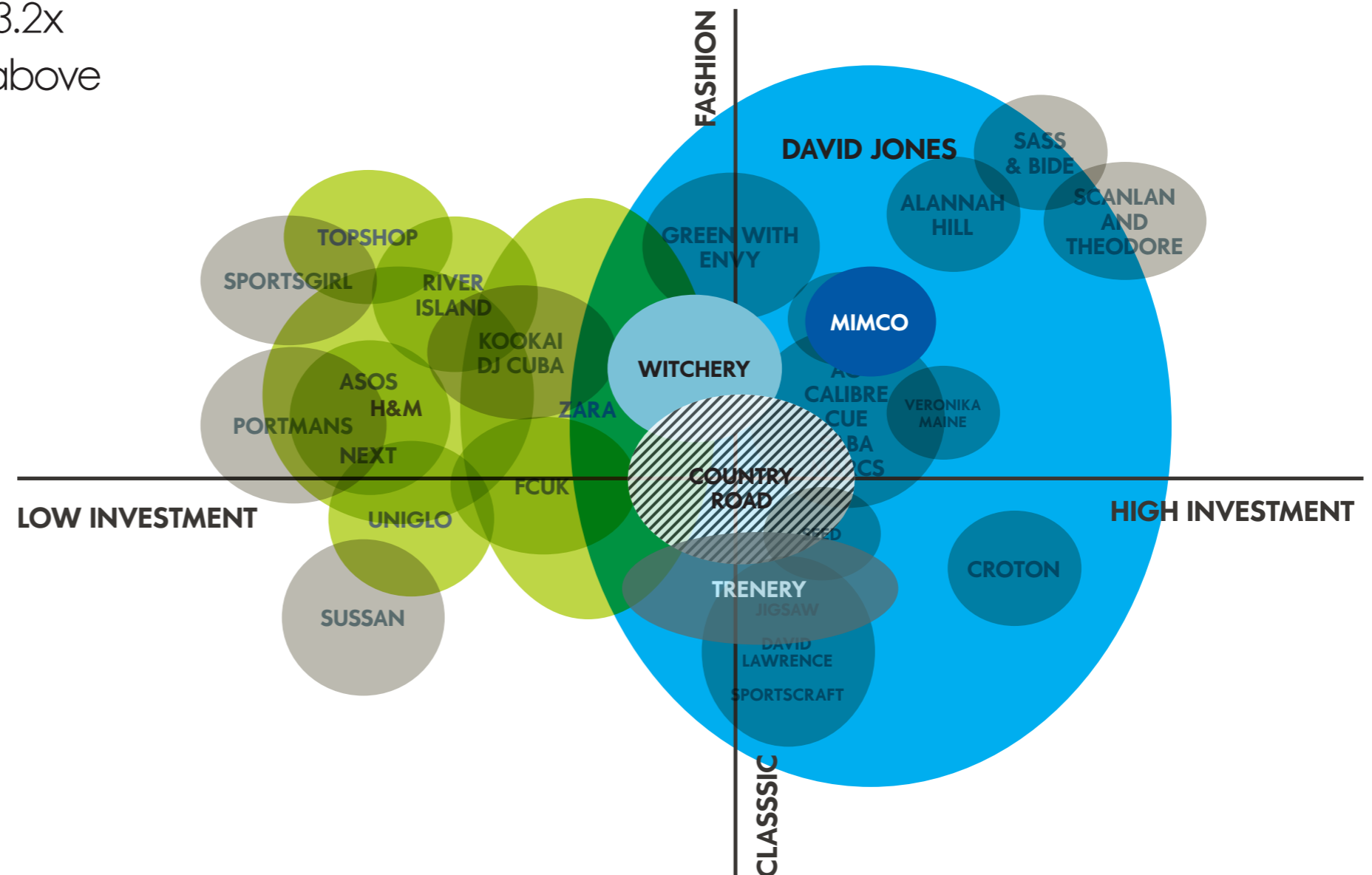
### ■ Expansion of existing pads:

- Country Road: 10 locations
- Witchery: 2 locations
- Mimco: 2 locations
- Right size pads: All locations

### ■ Introduction of new categories:

- Country Road Home and Kids
- Witchery Man and Kids
- Mimco Soft Goods and Shoes

### ■ Introduction of Trenery



# TRENERY A SIGNIFICANT OPPORTUNITY

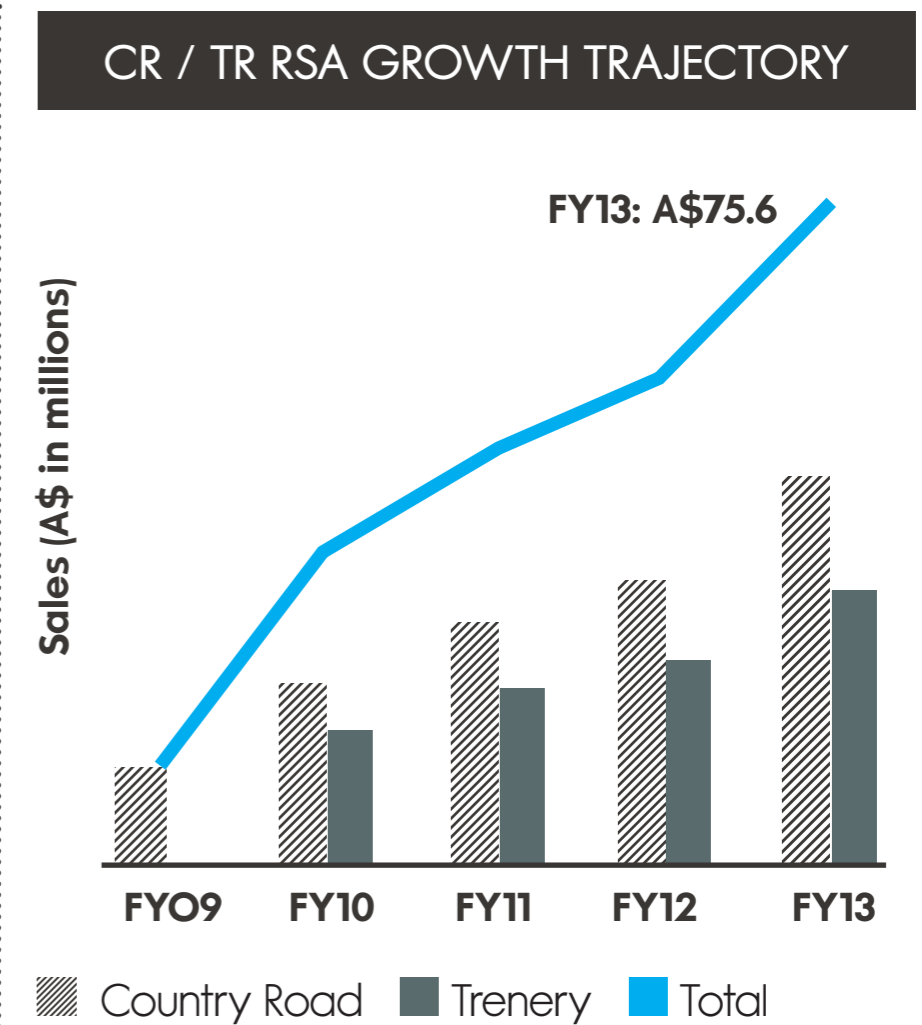
- Trenery stands for beautiful, simple, sophisticated collections that provide customers with affordable luxury every day
- The increased life expectancy trends in Australia have translated to a growing 'lifestyle' and wealthier customer segment
- Launched in Australia with five standalone stores and 16 stores in South Africa in Woolworths stores, the brand is now strongly established in both markets, demonstrating continued growth and strong momentum in FY14



# TRENERY

## A SIGNIFICANT OPPORTUNITY (CONT.)

- Trenchery now has 24 standalone stores across Australia and New Zealand, with 4 standalone and 21 concession stores in South Africa
- Following the successful launch of Country Road in Woolworths, Trenchery was launched in August 2009
- Both brands have continued to grow their presence in South Africa, benefiting from the customer traffic of Woolworths. Trenchery now operates at a higher trading density than Country Road
- The concession channel has proven to be a perfect platform for growth for Trenchery as demonstrated by the stronger growth trajectory of Trenchery's South African business compared to that of the Australian business



# TRENERY A SIGNIFICANT OPPORTUNITY (CONT.)

- CRG customers are 3.2x more likely to shop at David Jones than the base population (19.9%), with 63.8% of our customers shopping at David Jones
- This affinity and penetration is even higher for Trenerly customers, who are 4.1x more likely to shop at David Jones, than the base population, with 81.8% of Trenerly customers shopping at David Jones
- Trenerly customers over index heavily in the over 40s category, and are CRG's most affluent customer. This profile is complementary to that of the David Jones customer
- David Jones is the perfect platform for growth for Trenerly in Australia, as Woolworths was for Trenerly in South Africa



# MIMCO SUCCESSFUL TRANSFORMATION WITHIN DAVID JONES

- Mimco was launched as a wholesale brand in David Jones close to a decade ago
- In August 2012, Mimco transferred to a concession agreement with David Jones, giving us full brand control across price and promotional activity, store experience, service and range selection
- Since this time Mimco has consistently been a top performer across all David Jones accessories partners, delivering a return per sqm significantly above the David Jones average
- This arrangement has been significantly more profitable for our business and delivered year on year sales growth of 40% in FY13 translating to growth in gross margin of 159%. This business is on track to deliver a further 22% year on year sales growth in FY14, translating to margin growth of 32%



### 3. INTRODUCTION OF DAVID JONES LOYALTY SCHEME

- David Jones currently has a relationship with Amex through a combination of store card and branded credit cards
- Opportunity exists to introduce a tiered loyalty scheme, through these channels, reward customers, increase transaction value and frequency of visit
- Provides valuable customer data to inform decisions around product and stores

**EBIT IMPACT**  
**Nil assumed**

**TIMING OF BENEFITS**  
**FY16E – FY18E**



**DAVID JONES**

## 4. ENHANCE OMNI-CHANNEL PERFORMANCE

- Enhance online performance, driven by the introduction of private label, and a broader catalogue (will increase online sales as a percentage of total revenue)
- WHL analysis takes into consideration the cannibalisation of in-store sales

**EBIT IMPACT**  
**Nil assumed**

**TIMING OF BENEFITS**  
**FY15E – FY19E**



DAVID JONES

## 5. OPTIMISE GROUP REAL ESTATE PORTFOLIO

- Increased productivity through improved profiling and allocation
- Introduction of further village store formats to build on current success of this model

**EBIT IMPACT**  
**A\$20m-A\$30m**

**TIMING OF BENEFITS**  
**FY17E – FY19E**



## 6. IMPROVED MARGIN THROUGH GROUP SOURCING STRATEGY

- In addition to lower product costs from the private label shift, WHL group sourcing strategy will further lower cost of goods through volume based pricing benefits
- Migrate sourcing of David Jones label onto WHL platform

**EBIT IMPACT**  
**A\$10m-A\$20m**

**TIMING OF BENEFITS**  
**FY16E – FY19E**



# ATTRACTIVE OWNED PROPERTY PORTFOLIO

## SYDNEY

- David Jones owns the four properties that house its flagship stores in each of Sydney and Melbourne
- They have been independently valued at ~A\$612m (R6.1bn<sup>1</sup>, as at late 2012)

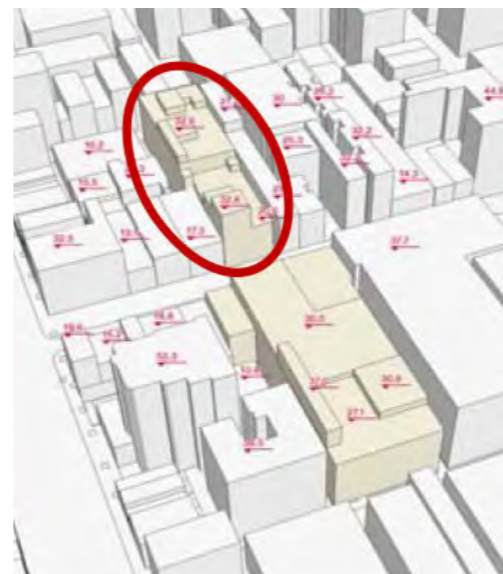


- Elizabeth Street (GLA ~39,000m<sup>2</sup>)

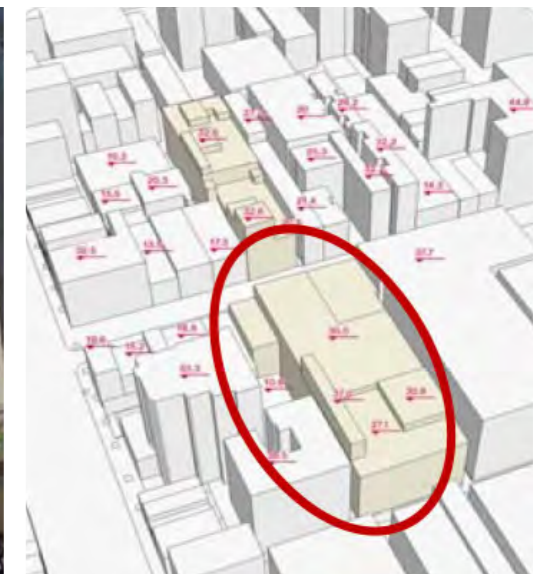


- Market Street (GLA ~32,000m<sup>2</sup>)

## MELBOURNE



- 299 Bourke Street (GLA ~15,000m<sup>2</sup>)



- 310 Bourke Street (GLA ~25,000m<sup>2</sup>)

**Source:** David Jones, Future Strategic Direction Plant & Property Update, 19 September 2012.

**1.** Assumes A\$ figures are converted at the R/A\$ exchange rate of 9.95, the current forward exchange rate which is expected to be in line with the spot rate at completion.

# INDICATIVE TRANSACTION TIMETABLE

| INDICATIVE DAVID JONES SCHEME TIMETABLE                    | 2014            |
|--|-----------------|
| First Australian court hearing                             | MID - LATE MAY  |
| Distribution of Scheme Booklet to David Jones shareholders | LATE MAY        |
| Scheme meeting   | LATE JUNE       |
| Notice of second Australian court hearing                  | LATE JUNE       |
| Second Australian court hearing                            | EARLY JULY      |
| Scheme effective date                                      | EARLY JULY      |
| Record date  | EARLY- MID JULY |
| Implementation date  | MID JULY        |

| INDICATIVE WHL CATEGORY 1 AND RIGHTS OFFER TIMETABLE    | 2014      |
|---|-----------|
| Distribution of Category 1 Circular to WHL shareholders | MID MAY   |
| Shareholder vote  | MID JUNE  |
| Launch rights offer                                     | SEPTEMBER |

**Note:** These dates are subject to variation and WHL shareholders and holders of preference shares will be advised from time to time, of any such variations through an updated timetable published on SENS. A further announcement will be released by WHL in due course providing final salient dates and times.

**THANK YOU**

