MYER

ASX & MEDIA RELEASE

21 March 2018

Myer First Half 2018 Results

Continued strong growth in the online business
Renewed focus on product, price and customer service

Myer Holdings Limited (MYR) today announced its financial results for the 26 weeks to 27 January 2018 and announced a renewed Company-wide focus on product, price and customer service to improve trading.

Net Profit After Tax (NPAT) pre-implementation costs and individually significant items for the period was $40.1 million (in line with the NPAT range announced on 9 February 2018 of between $37 million and $41 million).

The Company has recorded a statutory Net Loss After Tax of $476.2 million for the period which includes a non-cash impairment charge of $500.2 million (post-tax) on the carrying value of Myer goodwill and brand name intangibles on the Company's balance sheet and other asset impairments of $6.4m (post-tax). Implementation costs were $9.7 million (post-tax).

In light of the 1H2018 result and challenging retail trading environment, the Board has determined that no interim dividend will be declared. The Board will review the appropriateness of any declaration of a dividend at the conclusion of FY2018.

First Half 2018 Result vs. First Half 2017

- Total sales declined by 3.6% to $1,719.7 million, and were down 3.0% on a comparable store basis
- Online sales grew by 48.9% to $105.2 million, following a 48.4% increase in 1H2017
- Operating gross profit (OGP) declined by 5.5% to $645.4 million and OGP margin declined by 73 basis points to 37.53%
- Cost of Doing Business (CODB) was down by 0.3% to $537.1 million
- NPAT pre-implementation costs and individually significant items decreased by 36.1% to $40.1 million
- Non-cash impairment charge relating to Myer goodwill and brand name of $515.3 million (pre-tax), and other asset impairments of $9.2 million (pre-tax)
- Implementation costs associated with the Strategy of $13.7 million (pre-tax)
- Statutory NPAT was a loss of $476.2 million
- Net debt was $19.9 million at the end of the period, with available liquidity of $400 million
- Strong operating cash flow (before interest and tax) of $180 million despite lower trading performance, and capex down to $55 million

A renewed focus on product, price and customer service

Myer Executive Chairman, Garry Hounsell said: “Since becoming Executive Chairman, I have been driving the management team to trade the business more aggressively. To achieve this, I have renewed the entire team’s focus on product, price and customer service. These are strongly endorsed by the Myer Board.”

Mr Hounsell highlighted that Myer’s online performance was once again the standout element of this result and the management team is devoting additional resources to maximise its potential. The online business now represents our third largest store and has encouraging penetration across many categories.

Mr Hounsell said Myer’s online business was a significant asset, which continued to deliver impressive sales growth of 48.9%, on the back of a strong performance in 1H2017: “Myer now has one of the largest and fastest growing online businesses in Australia.”

Mr Hounsell also highlighted an increased emphasis on the loyalty business: “We are investigating the viability of establishing both online and loyalty as separate business units to give them more prominence as future growth drivers. I am encouraging the team to explore commercial partnerships to capitalise on their potential and unlock shareholder value.”

Mr Hounsell said the results for the half-year were unsatisfactory and reflected a number of execution issues including, for example, the failure to respond appropriately to the heightened competitive environment prior to Christmas.

In addition, the execution of strategic initiatives could have been better managed, for example, some elements of the strategy, which targeted a new high value customer were rolled out too quickly and didn’t balance enough attention on Myer’s traditional customer base, adversely impacting profitability.

In response to this, Mr Hounsell said: “The renewed focus on product, price and customer service is expected to re-engage our traditional customer base.”

“My ongoing engagement with customers, team members, supplier partners and external stakeholders has reinforced my view that Myer must regain its historic reputation for great value and customer service. The work on value is progressing well and with the right training, together with appropriate incentives and supported by technology, our team members can deliver on our customer service aims.

“In order to improve the performance in our stores, we need to direct our marketing and visual merchandising towards our new, exclusive and on trend products, backed by compelling value and promotions.

“As Executive Chairman, it is my role to ensure the business delivers on these customer centric measures and profitability, while the process of recruiting a new CEO takes place,” Mr Hounsell said.

Mr Hounsell reiterated the need to manage costs including an emphasis on reducing overall occupancy costs, whilst maintaining investments in customer service and the online business. Active discussions continue with Myer’s landlords, on a whole portfolio basis, relating to total occupancy costs, space productivity, lease tenure and capital investments. Mr Hounsell also said that management are focused on a number of procurement benefits.

1H2018 Result

Total sales declined by 3.6% to $1,719.7 million, and sales on a comparable store basis declined by 3.0%. Q2 sales were down 4.2% to $1,020.6 million, down 3.6% on a comparable store basis. This compares to a decline in total sales of 2.8% in the first quarter, and a decline of 2.1% on a comparable stores basis. The result was exacerbated by a particularly poor trading period in January.

Sales per square metre (on a 12 months rolling basis) decreased by 2.6% to $4,024/m^2 in the 1H2018, which is lower than the comparative sales decline reflecting continued progress in reducing our footprint.

ShopperTrak[1] retail traffic index reported sustained footfall declines during the 1H2018 with a particularly steep decline reported in January 2018 of 10.7% on the previous corresponding period.

OGP margin declined by 73 basis points to 37.53%. This reflected reduced supplier contributions and recoveries, higher shrinkage expense and the strength of the online business driving a negative mix impact.

Pleasingly the continued strength of the MEB master brands including Basque, with sales up 15%, and Piper, with sales up 10%, positively impacted OGP margin during the period.

A continued focus on cost savings and efficiencies led to a 3.5% reduction in CODB (excluding $17.1 million in additional costs associated with Marcs and David Lawrence).

Net finance costs reduced by $0.8 million to $4.7 million.

Implementation costs associated with the Strategy totalled $13.7 million (pre-tax) compared to no implementation costs in the same period last year. These relate to restructuring and redundancy costs, store exit costs and related asset impairments.

Following an assessment of the carrying value of assets on the balance sheet, an impairment of the Myer goodwill and brand name totalling $515.3 million (pre-tax) has been recognised in the 1H2018 results. Impairment of other assets of $9.2 million (pre-tax) have been recognised.

Earnings per share, pre-implementation costs and individually significant items was 4.9 cents in 1H2018 compared to 7.7 cents per share in 1H2017.

At the end of the period, inventory was $31.1 million below last year. Cash conversion was strong with an improvement to 188% from 153% in 1H2017.

Net Debt at the end of the period was $27.9 million higher than last year resulting in a net debt position of $19.9 million, with available liquidity of $400 million. Cash capex was $54.5 million compared to $59.0 million in the previous corresponding period.

Myer remains within all financing covenants. Notwithstanding that the existing syndicated facility expires in August 2019, we have commenced discussions to facilitate an orderly refinancing based on Myer's future debt requirements.

CEO Update

The Board remains engaged in the process of identifying a suitably qualified and experienced candidate to serve as Managing Director and CEO of the Company. Interviews have occurred with a number of high quality candidates and Myer will update the market when appropriate.

2H2018 Trading

During the first seven weeks of 2H2018, Myer has invested in price competitiveness and sales have improved, however week to week volatility continues to exist.

[1] ShopperTrak is a national index measuring change in shopper numbers on LY by month. The Australian index monitors footfall across over 2,500 locations at discretionary retailers spanning a number of categories (apparel, footwear, cosmetics, jewellery, sporting goods, toys), and Australian states

ends

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Investor and Analyst briefing:

A teleconference will be held for investors and analysts today at 10:00am (Melbourne time).
Telephone number: +61 2 8373 3610 Conference ID: 1870539
Attendees will need to have the attached slides available for the call. In addition, attendees will need to register their name, email and company to access the teleconference.

An archive of the briefing will be available afterwards at: www.myer.com.au/investor

Myer shares are traded on the Australian Securities Exchange (MYR). Myer has a Sponsored Level I American Depository Receipt program which trades in the United States on OTC Markets (MYRSY).
The financial information provided includes non-IFRS information which have not been audited or reviewed in accordance with Australian Accounting Standards but are based on the Half-Year Financial Report (Appendix 4D).

This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of Myer. The non-IFRS financial information includes total sales, sales per square metre, OGP margin, CODB, EBITDA, total funds employed, net debt, working capital, operating cash flow and free cash flow. These are measures frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.

The information provided is general only and does not purport to be complete. It should be read in conjunction with Myer's other periodic and continuous disclosure announcements. You should not rely on the information provided as advice for investment purposes, as it does not take into account your objectives, financial situation and needs. You should make your own assessment and take independent professional advice in relation to the *information and any action taken on the basis of the information. The information may contain “forward-looking statements”. Forward-looking statements can generally be identified by the use of words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “project”, “should”, “could”, “would”, “target”, “aim”, “assume”, “forecast”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or their negative forms or other variations or similar expressions. Indications of plans, strategies, objectives, sales and financial performance including indications of and guidance on future earnings and financial position and performance are also forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are outside Myer’s control. Actual results or performance may differ materially from those expressed, anticipated or implied in this material. Do not place undue reliance on any forward-looking statements, which are current only as at the date of this release. Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in Myer’s most recent Annual Report. Subject to law, Myer assumes no obligation to update, review or revise any information contained in this material.*

Table 1: Profit & Loss Statement for the 26 weeks to 27 January 2018

	1H2018 $m	1H2017 $m	Change vs. LY ($m)	Change vs. LY (%)
Total Sales	**1,719.7**	**1,784.6**	(64.9)	(3.6%)
Concessions	**360.1**	**386.2**	(26.1)	(6.8%)
Myer Exclusive Brands	**281.7**	**300.2**	(18.5)	(6.2%)
National Brands and other	**1077.9**	**1098.2**	(20.3)	(1.8%)
Operating Gross Profit	**645.4**	**682.7**	(37.3)	(5.5%)
Operating Gross Profit margin	***37.53%***	***38.26%***		*-73bps*
Cost of Doing Business	**(537.1)**	**(538.6)**	(1.5)	(0.3%)
Cost of Doing Business/Sales	***31.23%***	***30.18%***		*+105bps*
Share of Associates	**-**	**(1.9)**	(1.9)	
EBITDA*	**108.3**	**142.2**	**(33.9)**	**(23.8%)**
*EBITDA margin**	***6.30%***	***7.97%***		*-167bps*
Depreciation and amortisation	**(46.3)**	**(47.0)**	(0.7)	(1.5%)
EBIT*	**62.0**	**95.2**	**(33.2)**	**(34.9%)**
*EBIT margin**	***3.61%***	***5.34%***		*-173bps*
Interest	**(4.7)**	**(5.5)**	(0.8)	(14.5%)
Net Profit Before Tax*	**57.3**	**89.7**	**(32.4)**	**(36.1%)**
Tax*	**(17.2)**	**(26.9)**	(9.7)	(36.1%)
Net Profit After Tax (NPAT) (pre implementation costs and individually significant items)	**40.1**	**62.8**	**(22.7)**	**(36.1%)**
Implementation costs and individually significant items (post-tax)	**(516.3)**	**-**	**(516.3)**	
NPAT (post-implementation costs and individually significant items)	**(476.2)**	**62.8**	**(539.0)**	

* *Excluding implementation costs and individually significant items*

Table 2: Balance Sheet as at 27 January 2018

	January 2018	January 2017
	$m	**$m**
Inventory	372	403
Other Assets	43	45
Less Creditors	(472)	(475)
Less Other Liabilities	(264)	(301)
Property	23	24
Fixed Assets	430	432
Intangibles	468	1,017
Total Funds Employed	**600**	**1,145**
Comprising of:		
Debt	(99)	(98)
Less Cash	79	106
Net (Debt) / Cash	**(20)**	**8**
Equity	**580**	**1,153**

Table 3: Cash flow for the 26 weeks to 27 January 2018

	1H2018	1H2017
	$m	**$m**
EBITDA*	96	142
Working capital movement	84	76
Operating cash flow (before interest and tax)	**180**	**218**
Conversion	*188%*	*153%*
Tax paid	(11)	(18)
Interest paid	(5)	(5)
Operating cash flow	**164**	**194**
Capex paid / acquisitions**	(55)	(59)
Free cash flow before dividends	**109**	**135**
Dividends	(16)	(25)
Net cash flow	**93**	**111**

* *EBITDA includes implementation costs with the exception of non-cash store asset impairments*
** *Net of landlord contributions*

Table 4: Other Statistics and Financial Ratios

	1H2018	1H2017
Return on Total Funds Employed*	8.4%**	10.1%
Gearing	3.3%	(0.7%)
Net Debt/EBITDA*	0.13x	(0.03x)

**Calculated on a rolling 12 months basis*
*** 6.5% if goodwill and brand impairment is excluded from Total Funds Employed*

Table 5: Shares and Dividends

	1H2018	1H2017
Shares on Issue	821.3 million	821.3 million
Basic EPS*	4.9 cents	7.7 cents
Dividend per share	Nil	3.0 cents

** Calculated on weighted average number of shares of 821.3 million (1H2017: 821.3 million) and based on NPAT pre-implementation costs and individually significant items*

Table 6: Debt Covenants

Covenant	Covenant	January FY18	January FY17
Leverage	=<2.5 x	0.13 x	(0.03) x
Fixed Charges Cover	=>1.5 x	1.65 x	1.83 x
Minimum Shareholder Funds	=>$500m	$580m	$1,153m

*Leverage Ratio = (Gross Debt (excluding capitalised borrowing costs) less Cash)/EBITDA**

Fixed Charges Cover (FCC) Ratio = (EBITDA + Rent) / (Interest + Rent)*

Minimum Shareholders Funds = Total Shareholders' Funds as reported on the Balance Sheet

** Excluding implementation costs and individually significant items*

21 MARCH 2018

MYER HOLDINGS INTERIM RESULTS

TO 27 JANUARY 2018

GARRY HOUNSELL
EXECUTIVE CHAIRMAN

NIGEL CHADWICK
CHIEF FINANCIAL OFFICER

THE AGENDA

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1H2018 Results

Renewed focus

MYER

Renewed focus on Product, Price and Customer Service to improve trading

- 1H2018 Net Profit After Tax (NPAT) of $40.1 million pre-implementation costs and individually significant items
- Implementation costs and individually significant items of $516.3m (post-tax) including goodwill and brand name impairment
- No interim dividend declared, Board to revisit dividends at full year
- Online was once again the standout of the result
- 1H Results were unsatisfactory and in part driven by:
  - Failure to respond appropriately to heightened competitive environment pre Christmas
  - Some elements of the strategy, targeting new high value customer, were rolled out too quickly, impacting profitability
- Renewed focus on product, price and customer service

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1H2018 Results

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Profitability impacted by deterioration in sales and OGP

- Weak sales:
  - Despite investment in traffic driving initiatives, marketing
  - Subdued Stocktake Sale
- Comparable sales down 3.0%
- Sales/m² (rolling 12 months basis) down 2.6% to $4,024/m²
- OGP margin decline reflects reduced supplier contributions
- Continued disciplined cost management
- NPAT of $40.1 million pre implementation costs and individually significant items
- Non-cash impairments and implementation costs totalling $516.3 million (post-tax)

$ MILLIONS	1H2018	1H2017	CHANGE
Sales	1,719.7	1,784.6	(3.6%)
OGP	645.4	682.7	(5.5%)
OGP margin (%)	37.53	38.26	-73 bps
CODB	(537.1)	(538.6)	(0.3%)
CODB margin (%)	31.23	30.18	+105 bps
EBITDA*	108.3	142.2	(23.8%)
EBIT*	62.0	95.2	(34.9%)
Reported EBIT	(476.2)	95.2	n/m
NPAT*	40.1	62.8	(36.1%)
Reported NPAT	(476.2)	62.8	n/m

**Excluding implementation costs and individually significant items. Reconciliation on slide 17*

MYER

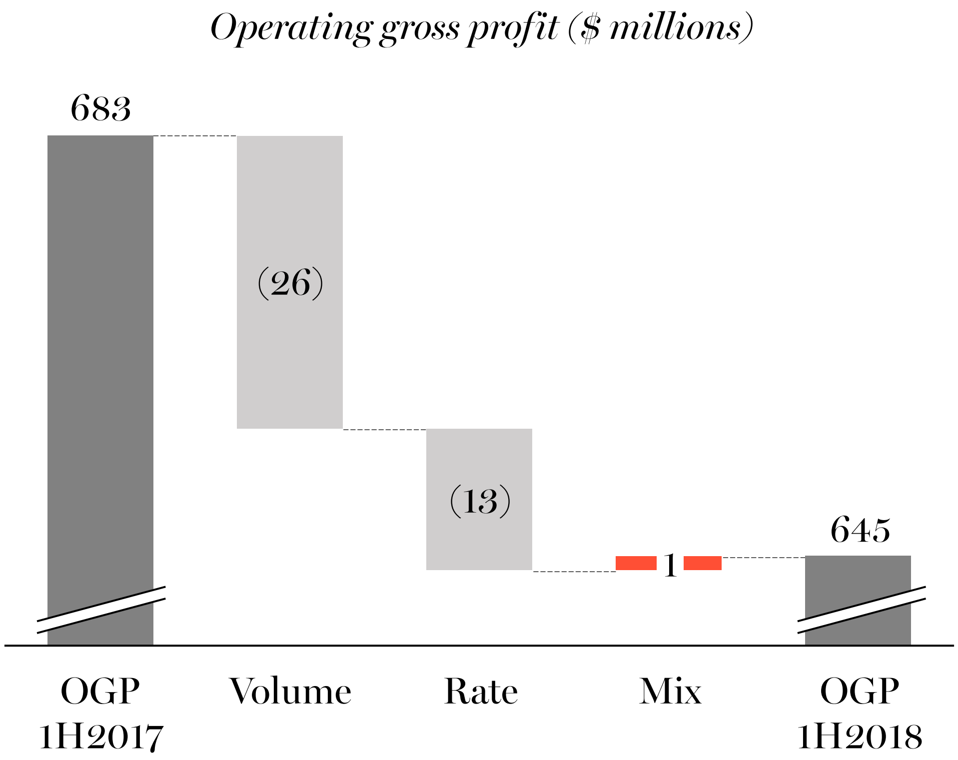
Operating Gross Profit margin decline

Volume reflects

- Impact of lower sales

Rate reflects

- Lower supplier contributions due to:
  - Reduced purchases
  - Shift in marketing focus
- MEB sourcing benefits
- Higher costs of selling including shrinkage



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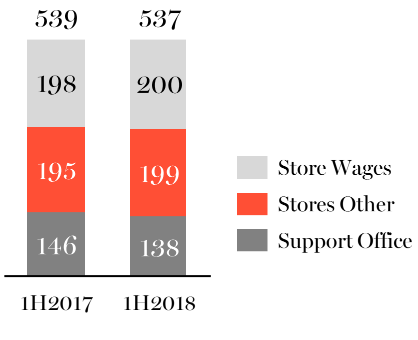
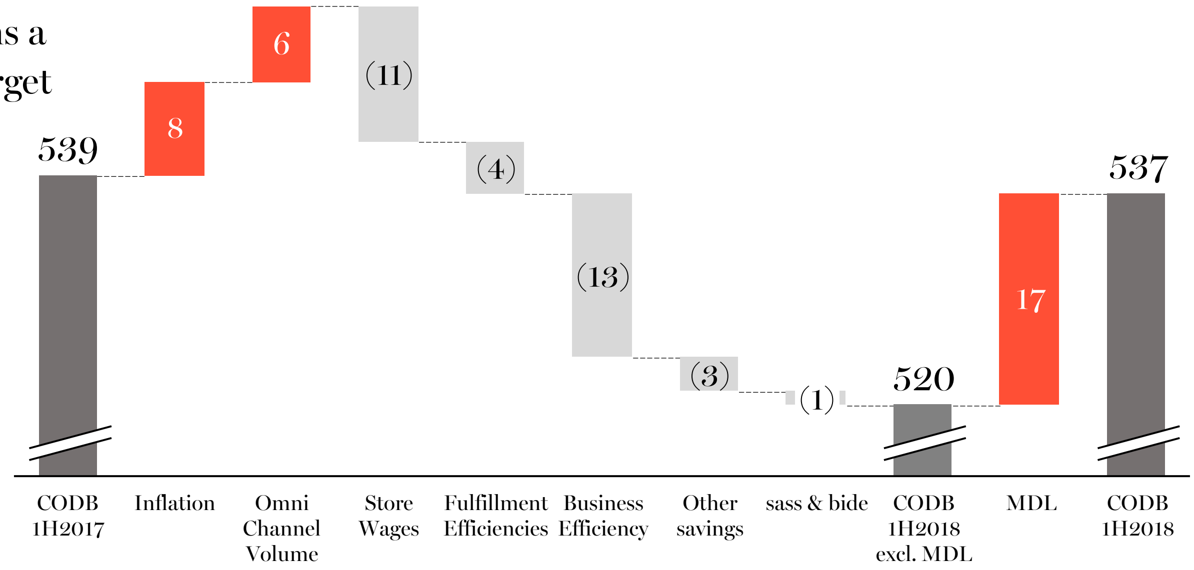
Cost reduction reflects ongoing focus on efficiencies

- CODB reduced by 3.5% excluding Marcs & David Lawrence (MDL)
- Disciplined cost focus continues, and there remains a pipeline of efficiencies to target



Cost of Doing Business ($ millions)



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Individually significant items and implementation costs are largely non-cash adjustments

INDIVIDUALLY SIGNIFICANT ITEMS AND IMPLEMENTATION COSTS		
$ MILLIONS	PRE-TAX	POST-TAX
Restructuring and redundancy costs	6.5	4.6
Store exit costs and other asset impairments	7.2	5.1
Subtotal Implementation Costs	**13.7**	**9.7**
Impairment of Myer goodwill and brand name	515.3	500.2
Other asset impairments	9.2	6.4
Subtotal Individually Significant Items	**524.5**	**506.6**
Total	**538.2**	**516.3**

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Continued strength in cash flows and cash conversion

- Improved cash conversion at 188%
- Inventory position reflects
  - Inventory was 7.7% lower
  - Open to buy (OTB) reductions
  - Option reductions
  - Forward cover reduced by more than one week
- Capex $4 million lower as key projects have been delivered
- Net cashflow was strong despite earnings shortfall

$ MILLIONS	1H2018	1H2017
EBITDA*	96	142
Working capital movement	84	76
Operating cash flow (before interest & tax)	**180**	**218**
Conversion	188%	153%
Tax paid	(11)	(18)
Interest paid	(5)	(5)
Operating cash flow	**164**	**194**
Cash capex paid**	(55)	(59)
Free cash flow before dividends	**109**	**135**
Dividends	(16)	(25)
Net cash flow	**93**	**111**
Opening net debt	**(113)**	**(102)**
Closing net (debt) / cash	**(20)**	**8**

** EBITDA includes implementation costs with the exception of non-cash store asset impairments*
***Net of landlord contributions*

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Balance sheet

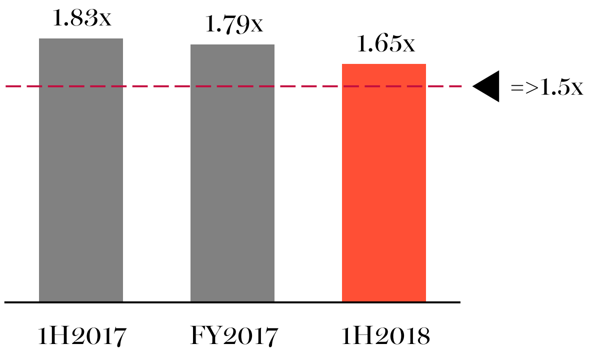
- Continued inventory management
- Supplier payables consistent even with reduction in purchases
- Net debt of only $19.9 million, but higher than corresponding period from earnings shortfall
- Impairments primarily impacting intangibles
  - Goodwill $465.0 million
  - Brands $50.3 million

$ MILLIONS	1H2018	FY2017	1H2017
Inventory	372	372	403
Creditors	(472)	(380)	(475)
Other Assets	43	30	45
Other Liabilities	(264)	(282)	(301)
Property	23	24	24
Fixed Assets	430	436	432
Intangibles (Brands/Goodwill)	372	887	919
Intangibles Software	96	99	98
Total Funds Employed	**600**	**1,186**	**1,145**
Debt	(99)	(143)	(98)
Less cash	79	30	106
Net (debt) / cash	**(20)**	**(113)**	**8**
Equity	**580**	**1,073**	**1,153**

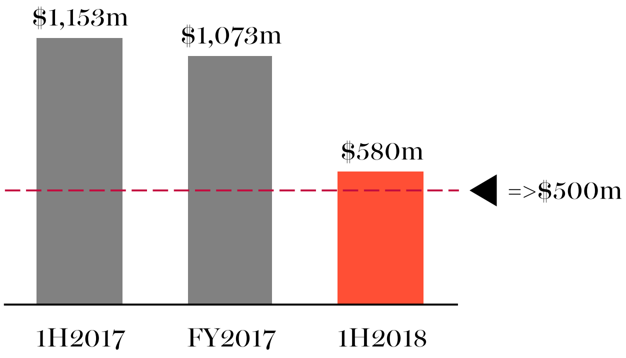
Debt

- Satisfied covenant tests at 1H2018
- Gearing only 3.3% and remaining liquidity is $400m at 1H2018
- Shareholders funds impacted by impairments
- Disciplined approach to capital management
- Have commenced refinancing discussions. Syndicated facility expires August 2019

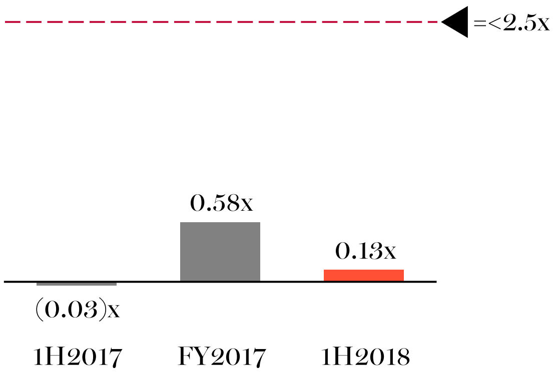
Fixed Charges Cover Ratio



Minimum Shareholders' Funds



Leverage Ratio



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THE AGENDA

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1H2018 Results

Renewed focus

Renewed focus on Product, Price and Customer Service

Product and Price

- New, on trend and exclusive product
- 'Only at Myer'
- Offering key value lines to be more competitive
- Focus on key products that have most price transparency
- Communicating more effectively with customers
- Improved marketing and visual merchandising in stores backed by compelling value and promotions

Renewed focus on Product, Price and Customer Service

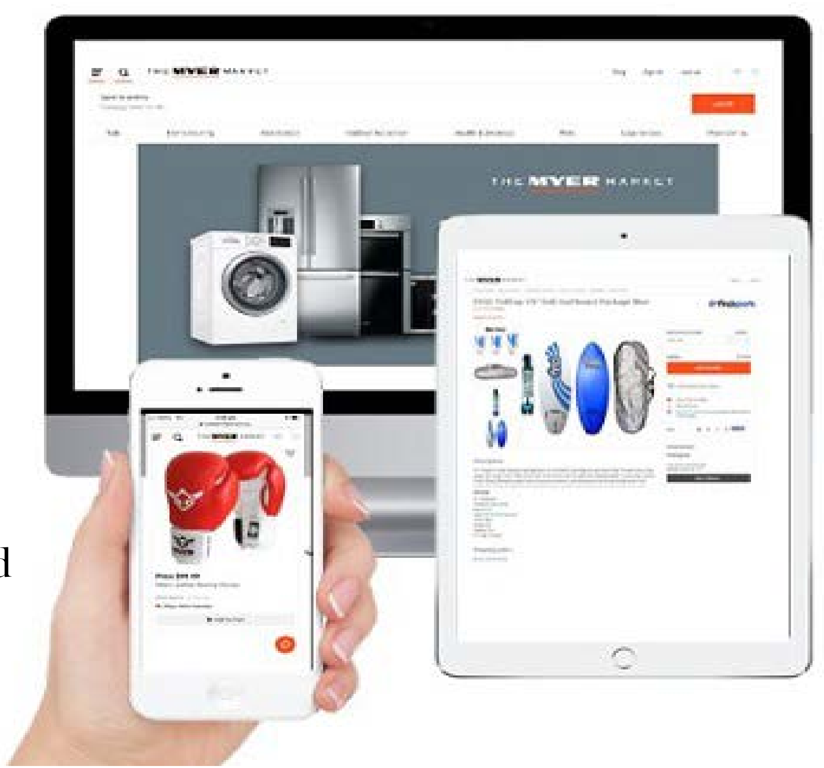
Service

- Service is a defining proposition for the department store
- Being good isn't good enough, we have to be the best
- Launched a series of new service initiatives and pilots to better serve our customers
- Sales commission trial
- Launched team member App to earn Gift Cards rewarding customer service and units per transaction

MYER

Online continues to be the standout result

- Online sales growth YoY of +48.9%
  - Entertainment category online grew by 61.8%
  - Click & Collect now represents 19.7% of sales
- Enhanced website in development for myer.com.au
- Myer Marketplace: A lifestyle destination with curated range of new brands from 100 diverse sellers
- Online and MYER one – exploring commercial partnerships to capitalise on significant potential and unlock shareholder value



Myer's future success can be built around our online and loyalty businesses

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21 MARCH 2018

MYER HOLDINGS INTERIM RESULTS

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Appendix: Reconciliation with statutory accounts

$ MILLIONS	EBIT	INTEREST	TAX	NPAT
Statutory reported result	**(476.2)**	**(4.7)**	**4.7**	**(476.2)**
Add back: Implementation Costs and Individually Significant Items				
Restructuring and redundancy costs	6.5	-	(1.9)	4.6
Store exit costs and related asset impairments	7.2	-	(2.1)	5.1
Impairment of assets	524.5	-	(17.9)	506.6
UNDERLYING RESULT	62.0	(4.7)	(17.2)	40.1

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Disclaimer

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