MYER

ASX & Media Release

Thursday 20 March 2014

Myer First Half Results ending 25 January 2014

First half total sales up 0.3 percent to $1,737 million
First half sales up 1.2 percent on a comparable store sales basis
Net profit after tax down 8.1 percent to $81 million
Interim dividend of 9 cents, fully franked

First Half 2014 Financial Highlights

Sales

- 1H FY2014 total sales up 0.3% to $1,737 million, up 1.2% on a comparable store sales basis
- Q2 total sales up 0.2% to $1,046 million, up 1.7% on a comparable store sales basis
- Myer Exclusive Brands sales up $7 million to 20.2% of sales

Operating gross profit

- Operating gross profit down 0.3% to $712 million
- Operating gross profit margin down 21 basis points (bps) to 41.0%

Earnings

- Cash cost of doing business (CCODB) increased by 2.1% to $540 million
- Earnings before interest, tax, depreciation, amortisation (EBITDA) down 7.1% to $172 million
- Earnings before interest and tax (EBIT) down 10.5% to $127 million
- Net profit after tax (NPAT) down 8.1% to $81 million
- Basic EPS down 8.6% to 13.8 cents
- Net debt down 5.0% to $230 million
- Interim dividend of 9 cents per share, fully franked, to be paid on 8 May 2014 (Record Date is 31 March 2014)

Myer Chief Executive Officer, Bernie Brookes, said good progress had once again been made executing the company's well-established five-point plan which continues to provide clear direction for the business.

"It was encouraging to achieve total sales growth despite significant sales disruption caused by three of the top 20 stores being under major refurbishment and the closure of our store at Dandenong (VIC). It was also pleasing that this growth was achieved on top of strong growth in the previous corresponding period (1H FY2013)," said Mr Brookes.

"The positive comparable store sales growth achieved in Q1 continued into Q2, and the business has now delivered comparable store sales growth in six of the last seven quarters. The second quarter was characterised by weak trading during November and the first half of December but with significant improvement immediately prior to Christmas and a very strong Stocktake Sale.

"We were delighted to be recently awarded 'Department Store of the Year' in the Roy Morgan Customer Satisfaction Awards for the second consecutive year. The poll of over 50,000 consumers once again recognised our commitment to improving our customers' shopping experience.

"The full acquisition of sass & bide was completed during the half and we continue to build the design capability of the existing team as we expand the brand across additional categories and into new locations. Pleasingly, sass & bide continued to experience strong sales growth during the period.

"Online sales continued to grow strongly during the half supported by improved fulfilment capability as a result of our dedicated online distribution centre which opened prior to Christmas.

"We were disappointed by the outage of our website during the start of our Stocktake Sale when the site experienced performance and stability issues. We believe the issues have been resolved and the result is a more stable website that continues to trade well.

"Despite the outage, the online store experienced particularly strong sales growth during December and January including its best sales day on record and a week in which it ranked in our top ten stores. We continue to believe we are on track for online sales to reach 10 percent of our business within five years.

"In recent years, we have invested heavily in our core systems including our warehouse, merchandise and point of sale systems and will continue to invest in building our capability to support the development of our online business.

"We made continued progress in margin-enhancing initiatives such as increasing our Myer Exclusive Brands mix to 20.2 percent of sales, increasing direct sourcing and reducing shrinkage. There were several offsetting factors that led to the operating gross margin contracting including the strong Stocktake Sale and **MYER one** loyalty initiatives such as bonus points offers to drive sales activity during the second quarter. We remain confident in our ability to deliver further operating gross profit margin growth in the future.

"As previously flagged, we encountered higher costs during the period relating primarily to labour and occupancy (utilities, rates and taxes), annualised costs from the investment in new stores, store refurbishment and closure costs, and ongoing expenses associated with growing the online business and the space optimisation project.

"Whilst we anticipate that cost growth pressure will begin to moderate towards the end of FY2014, these higher costs together with an increase in depreciation led to a 10.5 percent reduction in EBIT to $127 million. The strong cash flow result and lower interest rates led to a reduced interest cost resulting in NPAT for the period being down 8.1 percent at $81 million.

"Recognising Myer's continued strong cash generation and stable balance sheet, the Board has determined an interim dividend of 9 cents per share," said Mr Brookes.

CEO reappointment

Bernie Brookes' reappointment to the role of Myer Chief Executive Officer and Managing Director on an 'open term' contract was announced in February 2014 providing continuity of leadership for Myer.

Myer Chairman, Mr Paul McClintock, said: "Bernie remains passionate about Myer and its future. Our five-point plan is a product of his assessment of what our business needs to achieve its potential and he is committed to achieving that plan."

1H FY2014 FINANCIAL PERFORMANCE

Sales

Total sales grew by 0.3 percent for the half to $1,737 million (up 1.2 percent on a comparable stores basis). Q2 sales were up 0.2 percent to $1,046 million (up 1.7 percent on a comparable store sales basis).

The top performing category was once again Cosmetics despite the deflationary impact of ongoing price harmonisation. Customers continued to support our more competitive offer with increased volumes comfortably offsetting price reductions. The Cosmetics category also benefited from the introduction of leading make-up brand Napoleon Perdis in 61 stores. Other categories that performed well were Youth, Fashion Accessories, Women's apparel and Footwear.

Myer Exclusive Brands continue to perform well, growing by 2.0 percent and now accounting for 20.2 percent of sales (1H FY2013: 19.8 percent). Concession sales grew by 1.6 percent and now account for 15.2 percent of sales (1H FY2013: 15.0 percent). National Brand sales fell by 0.6 percent and now account for 64.6 percent of sales (1H FY2013: 65.1 percent).

The best performing states were Western Australia, New South Wales and the Australian Capital Territory.

Online sales continued to grow strongly during the half and customer engagement has increased with 18.5 million visits to the website during the period. Expansion of the online range has been a priority with an increase in stock-keeping units (SKUs) during the half to more than 100,000.

Margins and costs

Operating gross profit margin declined by 21 basis points to 41.0 percent (1H FY2013: 41.21 percent). While there were positive impacts from the growth of Myer Exclusive Brands, increased direct sourcing and lower shrinkage, there were three key reasons which led to the decline in margin. The first was the strength of the Stocktake Sale and the second was the impact of the change in the overall mix due to the increase in concession sales. The third was a strong response to loyalty initiatives such as **MYER one** bonus points promotions and bounce-back offers used extensively during the Stocktake Sale. This is consistent with the renewed focus on engaging our premium **MYER one** customers.

During the 1H FY2014, cash CODB increased by 2.1 percent to $540 million. As previously flagged, increased costs related to labour and occupancy, annualised costs from the investment in new stores, store closure and refurbishment costs and operating expenses associated with growing the online business and the space optimisation project.

Depreciation, net finance costs and tax

Capital investments made in previous years as well as the impact from new and closed stores resulted in a 3.9 percent increase in depreciation to $46 million (1H FY2013: $44 million).

Despite the $30 million[1] payment for the remaining 35 percent of sass & bide, net interest expense reduced by 21.2 percent from $14 million to $11 million principally due to a reduction in average net debt and lower interest rates including the benefit from the refinancing of our debt facilities in July 2013.

Tax expense of $35 million represents an effective tax rate of 30 percent (1H FY2013: 30 percent).

Cash generation and working capital

The business continues to be highly cash generative with operating cashflow of $259 million (1H FY2013: $272 million), reflecting our disciplined focus on inventory management underpinning further improvement in working capital. Stock turns were up and overall inventory remained clean at $351 million, down 3.3 percent (1H FY2013: $363 million). Underlying inventory, excluding new and closed stores, decreased by 2.9 percent to $353 million. Creditor days were flat at 70 days.

Capital expenditure: investing to support our five-point plan

Capital expenditure (gross) increased by 6.7 percent to $32 million for the period (1H FY2013: $30 million) reflecting further investment in our omni-channel strategy and costs associated with enhancing the merchandise offer.

Strong balance sheet

Net debt reduced by $12 million to $230 million (1H FY2013: $242 million) and resulted in a flat net debt to EBITDA ratio of 0.80 times (1H FY2013: 0.78 times). The improved net debt position was achieved despite the $30 million[1] payment for the remaining 35 percent stake in sass & bide in September 2013.

Dividend

The Board has determined an interim dividend of 9 cents per share reflecting Myer's continued strong cash generation and stable balance sheet.

[1] Net of cash acquired.

OUTLOOK

Given continued pressure on discretionary income and uncertain consumer sentiment, we remain cautious about the trading environment for the remainder of the year.

Second half sales expectations

Sales are expected to benefit from the completion of the refurbishment of the Adelaide (SA) store in May 2014 and the Indooroopilly (QLD) store refurbishment expected to finish during June 2014. In addition, the Melbourne City (VIC) store is expected to benefit from the opening of 7,000 square metres of new space within the Emporium development adjoining the store from May 2014 as well as the return of customer traffic flow into the store via the new development.

Offsetting this, the closure of the Dandenong (VIC) and Elizabeth (SA) stores and the refurbishments at Miranda (NSW) and Macquarie (NSW) will negatively impact sales in the second half.

We continue to believe online sales will double in FY2014 (over FY2013) and that the online business will reach break-even during the 2014 year. Ongoing investment in omni-channel is driving continued growth in online sales supported by our new online fulfilment centre in Melbourne and our new order management system.

Operating gross profit margin

The operating gross profit margin in 2H FY2014 is now expected to be flat against 2H FY2013.

Cash CODB

We expect FY2014 cash CODB to increase by approximately 4 to 5 percent. This incorporates:

- ongoing operating cost pressures associated with labour and occupancy;
- operating expenses associated with growing the online business;
- annualised costs from the investment in new stores; and
- one-off costs associated with omni-channel initiatives (order management system), the space optimisation project, and store closure and refurbishment costs;

We continue to anticipate that these cost pressures will begin to moderate from Q4 FY2014 with completion of two of the three major store refurbishments expected during the second half and as we annualise labour cost increases.

Capital expenditure and depreciation

We expect capital expenditure to be approximately $90 million (gross), including significant investment in store refurbishments and accelerated omni-channel initiatives. Depreciation is expected to rise by approximately $6 million reflecting recent capital investment in the business and write-offs associated with store refurbishments and store closures.

Other retail formats

As we seek to improve our customer proposition by testing new ideas and concepts, we continue to trial a small number of specialty stores (of 100 to 150 square metres) incorporating Myer Exclusive Brands. We currently have plans for three additional stores that will range a number of our Womenswear, Menswear and Childrenswear brands.

FY2015 and beyond

As we move into FY2015 we expect to benefit from a number of strategic initiatives including: the opening of new stores at Joondalup (WA) and Mount Gravatt (QLD) in the first quarter of FY2015; completion of major refurbishments; continued growth in Myer Exclusive Brands; growth of the online business; the launch of a number of major new brands and the ongoing optimisation of our store network.

Cost growth headwinds are expected to moderate during FY2015 and together with the strategic initiatives outlined above are expected to deliver an improvement in earnings momentum in FY2015.

Review of strategic initiatives

In conjunction with Mr Brookes' reappointment, Myer continues its strategic review with the aim of optimising the company's competitiveness in the changing retail environment.

A merger with David Jones was proposed in October 2013 (and became public in January 2014). Myer believes that it represents a unique opportunity to create significant value for both companies' respective shareholders. Significant analysis was undertaken over an extended period leading to the approach. The confidential, non-binding, indicative proposal was subject to amongst other things, regulatory approvals, due diligence and the unanimous recommendation of the David Jones Board in support of the transaction.

We subsequently wrote to David Jones (on 20 February 2014) reiterating our willingness to engage collaboratively on this unique opportunity.

We welcome David Jones' engagement of a strategic adviser to assess the proposal and the potential synergies it would deliver.

FIVE-POINT PLAN UPDATE

Management remains focused on continuing to progress our five-point plan with a number of new initiatives to drive sales and profitability while continuing to invest in the growth areas of the business.

1. IMPROVE CUSTOMER SERVICE

A commitment to improving our customers' shopping experience through investment in service initiatives and innovation continued during the half.

Service initiatives

- Launched our digital customer service feedback program nationally called 'FeedbackASAP'. With 21,000 interactions obtained since launch (via a telephone call following a transaction), the program generates an independent Net Promoter Score. This delivers a powerful and consistent benchmarking tool to assess service by store, team member and merchandise category on a daily basis;
- Expanded personal shopping service for Womenswear and Menswear into 31 stores with sales productivity almost 35 percent higher for the personal shopping team members than the average Myer team member. A trial for personal shopping in Homewares has commenced;
- Successfully introduced a number of customer engagement initiatives for our **MYER one** Platinum tier members;
- Significantly improved telephone support for online customers following an upgrade of Customer Service Centre technology. The upgrade has also enabled the Customer Service Centre to become a selling channel; and
- Pilot program to equip team members with iPads to provide customers with an enhanced and more dynamic service in store to be rolled out in 2H FY2014.

Efficiency initiatives

- Introduction of online booking services for school shoe fittings and Santa visits. The customer response was very strong and online bookings for other services will be rolled out this year;
- Continued improvement in shrinkage now surpassing global department store best practice;
- Further improvement in the compliance of 'floor-ready' stock from suppliers, that is, already security tagged, price ticketed and on hangers maximising speed to floor for merchandise and allowing team members more time to serve customers; and
- Further improvement in our safety performance with the Lost Time Injury Frequency Rate reduced to 7.1 (1H FY2013: 7.9) reflecting the continued focus on safety across the business.

“As we continue on our journey to delight our customers, I am extremely pleased with the results so far of the ‘FeedbackASAP’ program in particular for our Platinum **MYER one** customers. The Net Promoter Scores are invaluable in defining our customer service achievements and opportunities,” said Mr Brookes.

“A highly motivated team of people who enjoy what they do is essential to the success of our business. We were delighted with the results of our recent team member engagement survey, which showed an above average employee engagement rating of 83 percent,” said Mr Brookes.

2. ENHANCE OUR MERCHANDISE OFFER

Myer is focused on inspiring and delighting customers and wants to be the first choice when shopping for fashion, cosmetics and the home. Myer has the largest range of desired brands and styles that offer newness, fashionability, quality and value.

The Myer merchandise offering includes well-known national brands, Australian and International designers, as well as 62 brands which are owned or licensed and distributed exclusively by Myer, known as ‘Myer Exclusive Brands’.

Our Myer Exclusive Brands include brands developed by Myer, Designers @ Myer, National brands owned by Myer, and Licensed National brands. Myer Exclusive Brands are now represented across a wide range of price points and all categories. Key brands that are well-established with strong customer advocacy have been successfully extended into new categories. Myer Exclusive Brands deliver a significantly higher margin through the vertical-integration of design, development, sourcing, supply chain and marketing.

Merchandise highlights

- During the half, our best performing brands were **M.A.C Cosmetics**, **Sass**, **Trent Nathan**, **Wish**, **Australian House & Garden**, **Chanel Beauty**, **Benefit, T.M. Lewin**, **Jeff Banks**, **Sunglass Hut**, **Mecca Cosmetica**, **Royal Doulton**, **Politix**, **Seafolly**, **Chloe & Lola**, **Lego**, **Dyson**, and **BOSE**;
- Myer Exclusive Brands growth was driven by key brands including **Basque**, **Blaq**, **Trent Nathan**, **Piper**, **Australian House & Garden**, **Bauhaus**, **Chloe & Lola**, **Miss Shop** and **Regatta**;
- Very strong response to the launch of leading Australian make-up brand **Napoleon Perdis** in 61 stores with five remaining stores to launch in the coming months;
- Other new brands that have been introduced recently and were well received by our customers include **Dita Von Teese** (Intimate Apparel), **Nike** (Womenswear and Menswear), **Blue Illusion** (Womenswear), **Orla Kiely** (Homewares) as well as **Seafolly** (swimwear) which recently became a department store exclusive; and
- Our global sourcing offices continue to perform ahead of expectations in volume and margin improvement and speed to market within a strong governance framework.

“We continue to evolve our Myer Exclusive Brands strategy by becoming more design-led and creating master brands such as **Basque**, **Piper**, **Blaq** and **Trent Nathan** which we have successfully stretched across a number of key categories,” said Mr Brookes.

“We have recently launched leading Australian sleepwear brand **Peter Alexander** as a department store exclusive as well as a new Myer Exclusive Brand for our youth customer, **One Tru Luv** (Intimate Apparel).

“We are delighted to have recently reached agreement with Lisa Ho to design a ready-to-wear range for Myer, **L by Lisa Ho**. This range will be exclusive to Myer and is a great addition to our strong Australian and International designer offering.

“We are pleased to be launching a number of exciting new brands during the next few months including **Alex Perry** (Womenswear), **YTTRIUM by Aurelio Costarella** (Womenswear), **Tome** (Womenswear), **Zadig & Voltaire** (Womenswear), **DL1961** (Womenswear), **Splendid** (Womenswear), **Kurt Geiger** (Women’s footwear), **Wrangler** (Womenswear and Menswear), **Aquila** (Men’s footwear), **Baker by Ted Baker** (Childrenswear), **Fred Bare** (Childrenswear) and **Donna Hay** (Homewares).

"The Emporium development provides us with the opportunity to expand our Menswear offering in our Melbourne City store. Categories such as men's sporting and plus size will be ranged in addition to an expanded Men's footwear offer and a men's personal shopping and styling destination. Within the new Emporium space we are also creating a world class toy destination in the heart of the Melbourne CBD; the new toy department will feature 'shop in shop' concepts for key brands like Lego, Barbie and Thomas the Tank Engine, with new interactive displays to add a real sense of theatre and excitement to the new floor," he said.

3. STRENGTHEN OUR LOYALTY PROGRAM

Our **MYER one** loyalty program is one of Australia's most successful loyalty programs and continues to represent approximately 70 percent of Myer's sales. The data from this program is a highly effective tool to evaluate key aspects of our business including stores, brands, space, product, service and marketing. Highlights include:

- During the half, we continued to focus on an engagement and retention program for our premium **MYER one** Platinum tier incorporating our top 2,000 customers. There have been a number of personalised and private shopping events including 'keys to the store' private shopping parties;
- Launched an exclusive Christmas premium shopping night for our Platinum and Gold members and another exclusive event for the top 100,000 Silver tier customers in 20 stores;
- The Myer Visa card is an important loyalty offer for our customers and continues to be one of the most competitive credit cards in the market;
- Over $23.3 million in **MYER one** Reward Cards were distributed to members during the half with an average spend on redemption of 4.0 times the value of the card;
- There continues to be strong support for our new key national partner in our **MYER one** affiliates program, Caltex; and
- The Commonwealth Bank 'pay-with-points' collaboration has continued to resonate strongly with customers as our market leading technology allows instant redemption of Commonwealth Awards points at Myer point-of-sale.

"We continue to focus on customer engagement and retention by acknowledging and rewarding our most valuable members as well as targeting customers with relevant offers," said Mr Brookes.

4. BUILD A LEADING OMNI-CHANNEL OFFER

Myer now operates in a global marketplace and our customers' expectations have evolved in line with increasing online inspiration, information and digital commerce. Our focus is on building a leading omni-channel offer that is inspiring, compelling and available to our customers wherever and whenever they choose to engage with us.

A number of positive developments took place during the half including:

- Significant growth in key customer metrics with strong growth in online sales and over 18.5 million visits to the website during the half. Solid growth in the online basket size and order value continued;
- Mobile (tablet and phone) has been a particularly strong channel for the online store with sales up by more than 140 percent for the half and by almost 390 percent in January compared with the prior year;
- An upgrade to the online store's navigation and menus in November 2013 resulted in a significant and sustained improvement in conversion;
- The dedicated fulfilment centre for online was successfully established by leading global logistics provider, Cargo Services, in October 2013. Our top 13,000 SKUs are currently dispatched from this centre ensuring a low cost and efficient supply chain to manage the rapid growth in online orders; and
- 'Click & Collect' has been extended to more than 20 stores with encouraging take-up by customers.

“Efficient fulfilment of orders is key to the profitability of our online store. We are delighted with the performance of our dedicated online fulfilment centre which has assisted in driving down the cost of order fulfilment by 28 percent compared with the prior year,” said Mr Brookes.

5. OPTIMISE OUR STORE NETWORK

Myer’s network of 66 stores across the country is a key strength as we seek to engage with customers across a variety of channels. Our focus remains on delighting and inspiring customers in store while maximising returns per square metre by improving productivity through enhanced store layouts, new stores, refurbishments and the closure of a handful of stores. In this context, we continue to review the merits of all existing and planned stores in our portfolio and continue to engage in proactive lease negotiations, which are yielding positive results. Highlights include:

- Closure of our Dandenong (VIC) store in October 2013. All team members were successfully redeployed to nearby stores. Our **MYER one** data shows customers already choosing to shop at nearby Fountain Gate and Chadstone;
- Confirmation that we will proceed with our new store at Greenhills (NSW) with an expected opening in FY2017;
- Decision taken not to proceed with a planned new store at Plenty Valley (VIC) as significant delays in the development led to Myer exercising its right to exit the agreement;
- A major refurbishment of our CBD store in Adelaide (SA) is in the final stages and is on track to open in May 2014. The refurbishment has occurred concurrently with both the Centre and Rundle Mall upgrades;
- The Indooroopilly (QLD) store refurbishment is expected to be completed mid-2014 and the Miranda (NSW) store refurbishment is scheduled to be completed for Christmas 2014;
- Refurbishment of the Macquarie (NSW) store recently commenced and is due for completion by October 2014; and
- With each of these store refurbishments, their space has been reduced to maximise space productivity and increase returns per square metre.

“The recent closure of the Elizabeth store (SA) in February 2014 saw all team members redeployed to nearby stores and we anticipate a significant percentage of sales to be retained in nearby stores,” said Mr Brookes.

“We are looking forward to expanding our flagship store at Melbourne City (VIC) with the opening of a new floor (7,000m^2) in the Emporium development later this year. There will be a total of five walkways linking our main store with this exciting retail development.

“Our two other imminent new stores at Joondalup (WA) and Mt Gravatt (QLD) are both progressing well with a scheduled opening before Christmas 2014.

“The store optimisation project has been completed in four stores, realigning space for categories that have higher margins and are more appealing to our customers such as women’s and men’s fashion,” said Mr Brookes.

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Analyst and Investor briefing:

A briefing will be held for analysts and investors today at 10:00am (AEDT time). This briefing will be webcast live at: http://streamcast.com.au/myer/HY14/ Viewers will need to register their name, email and company to access the webcast. An archive webcast of the briefing will be available afterwards at: www.myer.com.au/investor

All numbers are unaudited. The financial information includes non-IFRS information which has not been specifically audited in accordance with Australian Accounting Standards but has been extracted from the Half-Year Financial Report (Appendix 4D). This release 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", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" and similar expressions. Indications of plans, strategies and objectives of management, sales and financial 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 the control of Myer. Actual results, performance or achievements may vary materially from any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which are current only as at the date of this release. Myer assumes no obligation to update such information.

Table 1: Profit & Loss Statement for the 26 weeks to 25 January 2014

	1H 2014 Actual $m	1H 2013 Actual $m	Change vs. LY
Total Sales Value	**1,737.1**	**1,732.5**	**+0.3%**
Concessions	**264.3**	260.1	+1.6%
Myer Exclusive Brands	**350.8**	343.9	+2.0%
Other	**1,122.0**	1,128.5	(0.6%)
Operating Gross Profit	**712.1**	714.0	(0.3%)
Operating Gross Profit margin	***41.00%***	*41.21%*	(21bps)
Cash Cost of Doing Business	**(539.9)**	(528.6)	+2.1%
Cash Cost of Doing Business/Sales	***31.08%***	*30.51%*	+57bps
EBITDA	**172.2**	**185.4**	**(7.1%)**
EBITDA margin	*9.91%*	*10.70%*	*(79bps)*
Depreciation and amortisation	(45.6)	(43.9)	+3.9%
EBIT	**126.6**	**141.5**	**(10.5%)**
EBIT margin	***7.29%***	*8.17%*	(88bps)
Net interest	(11.1)	(14.1)	(21.2%)
Net Profit Before Tax	**115.5**	**127.4**	**(9.3%)**
Tax	(34.7)	(38.2)	(9.2%)
Net Profit After Tax (NPAT)	**80.8**	**89.2**	**(9.4%)**
Non-Controlling Interests	-	(1.2)	
NPAT after Non-Controlling Interests	**80.8**	**87.9**	**(8.1%)**

Table 2: Balance Sheet as at 25 January 2014

	January 2014 Actual $m	January 2013 Actual $m
Inventory	351	363
Other Assets	57	43
Less Creditors	(466)	(457)
Less Other Liabilities	(199)	(230)
Net Trading Investment	**(257)**	**(281)**
Property	25	26
Fixed Assets	471	480
Tangible Funds Employed	**239**	**225**
Intangibles	929	932
Total Funds Employed	**1,168**	**1,157**
Debt	306	422
Less Cash	(76)	(180)
Net Debt	**230**	**242**
Equity	938	915
Total Investment	**1,168**	**1,157**

Table 3: Other Statistics and Financial Ratios

	1H 2014	1H 2013
Capital Expenditure (gross)	$32m	$30m
Return on Total Funds Employed*	17.20%	19.54%
Gearing	19.69%	20.94%
Net Debt/EBITDA*	0.80	0.78
Stock turn (times)	3.5	3.4
Creditor Days	70 days	70 days

** Calculated on a rolling 12 months basis*

Table 4: Shares and Dividends

	1H 2014	1H 2013
Shares on Issue*	584.8 million	583.4 million
Basic EPS	13.8 cents	15.1 cents
Dividend per share	9 cents	10 cents

**Weighted average number of shares*


HALF YEAR RESULTS
20 March 2014
BERNIE BROOKES
CEO and Managing Director
MARK ASHBY
Chief Financial Officer
MYER
Image: Piper and Wayne by Wayne Cooper
(Myer Exclusive Brands)


1H 2014 RESULTS
Overview
Financial update
Delivering our five-point plan
Outlook
Image: Sportscraft
MYER

1H 2014 financial summary

- Total sales up 0.3% to $1,737 million, up 1.2% on comparable store sales basis
- Q2 total sales up 0.2% to $1,046 million, up 1.7% on comparable store sales basis
- Operating gross profit margin down 21 bps to 41.0%
- Cash CODB up 2.1% to $540 million
- EBITDA $172 million, EBITDA margin 9.9%
- EBIT $127 million, EBIT margin 7.3%
- NPAT $81 million
- Net debt down 5.0% to $230 million
- Strong cash flow supports interim dividend of 9 cps, fully franked

"Continued investment in service, refurbishments, brands, omni-channel and loyalty"

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Image: Fleurette by Fleur Wood (Myer Exclusive Brand)

OVERVIEW / 3

1H 2014 highlights

- Continued sales growth despite:
  – cycling strong result in previous year
  – despite three major store refurbishments
  – Dandenong (VIC) store closure
- Myer Exclusive Brands sales up 2.0%, now represents 20.2% of sales mix
- Full acquisition of sass & bide complete, strong sales growth in 1HFY2014
- Winner 2013 Department Store of the Year (Roy Morgan Customer Satisfaction Awards)

"Comparable store sales growth in six of last seven quarters"

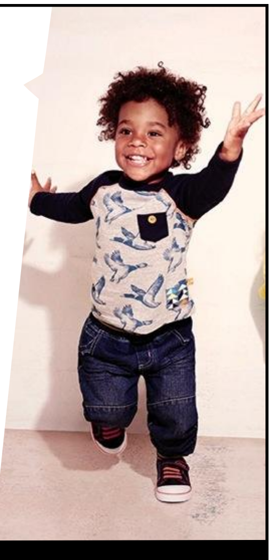

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Image: Jack & Milly (Myer Exclusive Brand)

OVERVIEW / 4

1H 2014 highlights (continued)

- Enhanced brand offer: Napoleon Perdis, Dita Von Teese, Piper re-launch
- Strong growth in online metrics: traffic, sales, basket size, units per transaction, SKUs
- Dedicated online DC launched, ‘Click & Collect’ expanded
- Over $23 million in **MYER one** Reward Cards issued
- Progress on margin-enhancing initiatives: reduced shrinkage, increased direct sourcing, Myer Exclusive Brands growth enabling investment in generating sales

“The five-point plan continues to provide clear direction for the business in a changing retail environment”

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Image: búl (modelled at Myer Autumn/Winter 2014 Fashion Launch)

OVERVIEW / 5

1H 2014 RESULTS

Overview

Financial update

Delivering our five-point plan

Outlook

Image: Sportscraft

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Financial summary

	1H2014	vs. 1H2013	
Sales	$1,737m	+0.3%	1H2014 comparable sales up 1.2%, on top of strong growth in previous corresponding period
Operating gross profit	$712m	-0.3%	Margin-enhancing initiatives offset by strong Stocktake Sale, impact of increase in concessions sales and strong response to loyalty initiatives including **MYER one** promotions
Operating gross profit margin	41.0%	-21bps	Planned investment in sales growth
Cash CODB	$540m	+2.1%	Related to labour, occupancy, new stores, store closure and refurbishments, online, space optimisation

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FINANCIAL UPDATE / 7

Financial summary (continued)

	1H2014	vs. 1H2013	
EBITDA	$172m	-7.1%	
EBITDA margin	9.9%	-79bps	
Depreciation	$46m	+3.9%	Capital investment in previous years, new and closed stores
EBIT	$127m	-10.5%	Increased costs together with increase in depreciation led to reduced EBIT
EBIT Margin	7.3%	-88bps	
NPAT	$81m	-8.1%	

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FINANCIAL UPDATE / 8

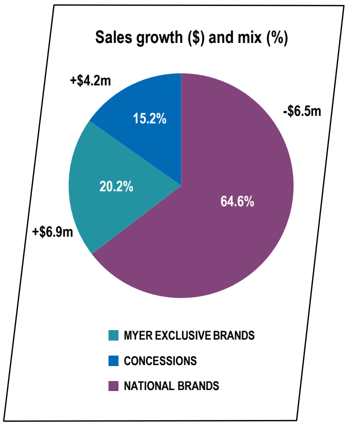
1H 2014 sales performance

Highlights:

- Myer Exclusive Brands, Concessions, new stores, online, new brands, sass & bide
- Cycling growth in previous corresponding period
- LFL sales growth in 6 of last 7 quarters
- Best states: WA, NSW, ACT
- Best categories: Cosmetics, Youth, Fashion Accessories, Womens apparel, Footwear

Challenges:

- Deflation across many categories
- Slow start to Christmas
- Refurbishment of three of top 20 stores
- Store closure at Dandenong (VIC)



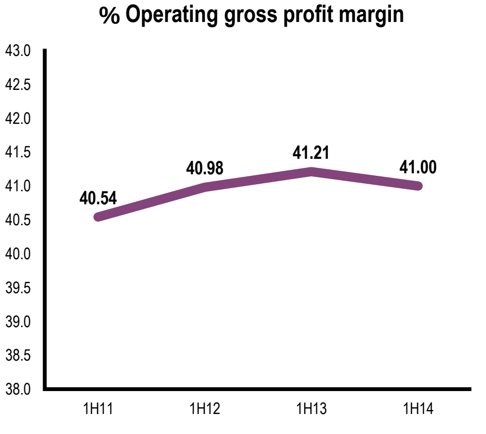
Operating gross profit

Progress in margin-enhancing initiatives

- Myer Exclusive Brands growth, increased direct sourcing, reduced shrinkage

Offsetting factors

- Very strong Stocktake Sale
- Impact of increase in concessions sales
- Strong customer response to loyalty initiatives: **MYER one** bonus points promotions, bounce-back offers
- **MYER one** points provision increase reflects increased engagement in the program

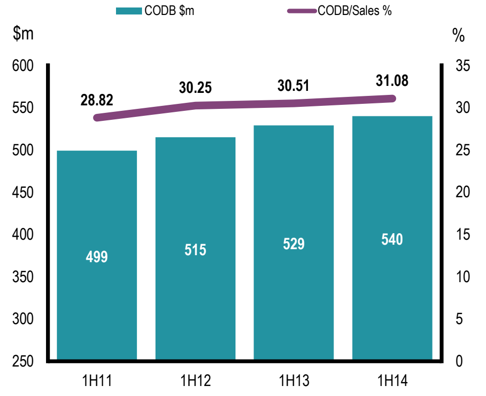


Cash cost of doing business

Costs driven by:

- Increased store labour and occupancy costs (utilities, rates, taxes)
- Annualised new store costs
- Operating expenses for online
- Store closure and refurbishment costs
- Space optimisation project

"Cost growth pressures anticipated to moderate from Q4 FY2014 and beyond"



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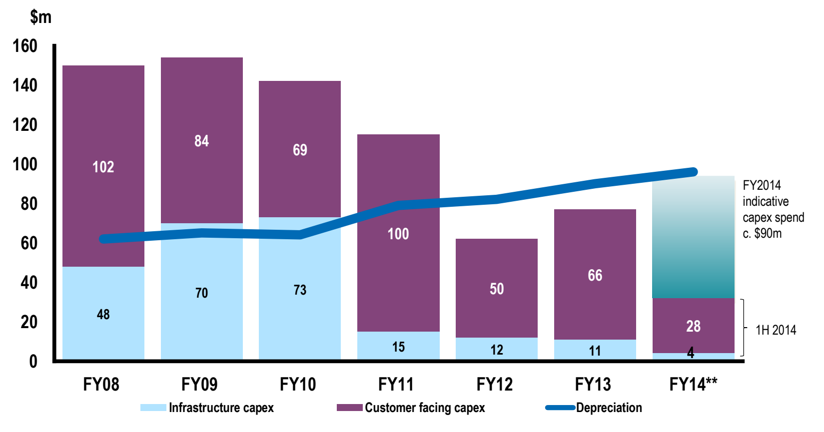
Capital expenditure* now focused on customer facing initiatives



*Gross capital expenditure before landlord contributions ** Forecast capital expenditure and depreciation

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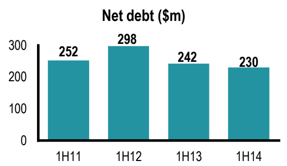
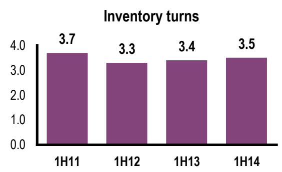
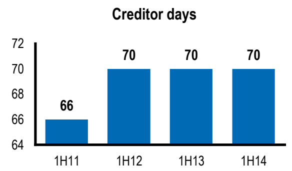
Strong cash flow, working capital management

$(m)	1H2014	1H2013
Operating cash flow	**259**	**272**
Cash conversion	*150%*	*147%*
Tax	(27)	(30)
Interest	(12)	(14)
Net cash capex paid (post landlord contribution)	(35)	(33)
Acquisition of non-controlling interests	(33)	-
Cash flow before financing activities	**152**	**195**







Key credit metrics

Key credit metrics	25 January 2014	Bank covenants
Net debt / EBITDA[1]	0.80x	<2.5x
Fixed charge cover[1, 2]	2.16x	>1.65x
Shareholders' equity	$938m	>$500m

"Dividend payment of 9 cps supported by strong cash generation and balance sheet"

[1] *Calculated on a 12 month rolling basis*
[2] *Fixed charge cover is calculated as EBITDAR / net interest expense + fixed rental expense*

Image: Wolf Kanat and Blaq (Myer Exclusive Brand)

1H 2014 in summary

- Sales growth despite major refurbishments, one store closure and cycling strong 1H 2013 result. Q1 sales growth continued into Q2
- Full acquisition of sass & bide now complete, continued sass & bide sales growth
- Progress in margin-enhancing initiatives: reduced shrinkage, increased direct sourcing, Myer Exclusive Brands growth
- Margin-enhancing initiatives offset by strong Stocktake Sale, impact of increase in concessions sales and **MYER one** marketing initiatives
- Disciplined focus on inventory management underpinned improved working capital
- Net debt down 5 percent to $230 million

"Solid result reflects continued progress on five-point plan"

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Image: Blaq (Myer Exclusive Brand, modelled at Myer Autumn/Winter 2014 Fashion Launch)

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1H 2014 RESULTS

Overview
Financial update
Delivering our five-point plan
Outlook

Image: Sportscraft

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Progress against five-point plan

1. Improve customer service
2. Enhance our merchandise offer
3. Strengthen our loyalty program
4. Build a leading omni-channel offer
5. Optimise our store network

"We continued to progress our five-point plan with new initiatives to drive sales and profitability"

Image: Salt & Pepper, Australian House & Garden (Myer Exclusive Brand), Heritage (Myer Exclusive Brand)

MYER DELIVERING OUR FIVE-POINT PLAN / 17

1. Improve customer service

Service initiatives

- Launched digital customer feedback program nationally 'FeedbackASAP' to generate 'Net Promoter Scores'
- Engagement program for premium **MYER one** members
- Customer Service Centre technology upgrade and integration with online service
- Women's and Men's personal shopping service now in 31 stores
- iPad pilot from 2H FY2014 to enhance in-store service

"Department Store of the Year in Roy Morgan Customer Satisfaction Awards for the second year in a row"

Feedback ASAP

MYER DELIVERING OUR FIVE-POINT PLAN / 18

1. Improve customer service

Efficiency initiatives

- Safety record further improvement, LTIFR* 7.1 (1H FY13: 7.9)
- Shrinkage further reduced, now surpassing global best practice
- Online booking for in-store services
- Supplier ‘floor-ready’ compliance at record high level
- Employee engagement survey results above global peers, average employee engagement rating of 83 percent
- In-store compliments to complaints ratio further improved

“Efficiency gains reinvested in customer facing hours in store”

* Lost Time Injury Frequency Rate

MYER DELIVERING OUR FIVE-POINT PLAN / 19

2. Enhance merchandise offer

- Best performing brands included:

CHANEL, MAC, sunglass hut, CUE, regatta, BASQUE, POLITIX, HOUSE & GARDEN, Trent Nathan, Chloe & Lola, LEGO, RESERVE, blaq, SEAFOLLY australia, SASS, JEFF BANKS LONDON, T.M.Lewin, dyson, Wish, MECCA COSMETICA, ROYAL DOULTON, benefit, BOSE

- Continued growth in Myer Exclusive Brands and Concessions
- Increasingly price competitive in global marketplace
- Strong performance in Cosmetics despite price deflation
- Very strong response to new brands

“Focus is on inspiring and delighting customers”

MYER Image: Cue DELIVERING OUR FIVE-POINT PLAN / 20

Napoleon Perdis

- Launched in 61 stores in November 2013
- Further 5 stores to launch in coming months
- Excellent customer response

2. Enhance merchandise offer

Myer Exclusive Brands growth continues

- Now represent 20.2% of sales mix
- Top performing Myer Exclusive Brands in 1H2014:

HOUSE & GARDEN, bAUHAUS, blaq, regatta, Trent Nathan, RESERVE, BASQUE, PiPER, Chloe & Lola, Miss Shop

- Global sourcing offices continue to support Myer Exclusive Brands growth

"Myer Exclusive Brands strategy evolving to become more design-led and focused on master brands across categories"

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Image: Basque (Myer Exclusive Brand)

New department store exclusive brands

- Peter Alexander
- Seafolly
- Baker by Ted Baker
- Aquila

New brands coming to Myer

Alex Perry
TOME
MAD LOVE
DOLCi FiRME
BRENTWILSON
Wrangler
KURT GEIGER
oneoneseven
SPERRY TOP-SIDER
LANCEL PARIS 1876
one tru luv
YTTRIUM BY AURELIO COSTARELLA
FREDBARE
Splendid
ZADIG&VOLTAIRE
Rivieras
MERRELL
DL1961 PREMIUM DENIM
KENZO
MARCO POLO
WeSC
GOLIATH
MSGM

3. Strengthen our loyalty program

- Represents ~70% of sales
- Highly effective tool to evaluate business including stores, brands, space, product, service and marketing
- Over $23 million **MYER one** Reward Cards distributed, average spend on redemption of 4.0 times the card value
- Focus on engagement for premium **MYER one** Platinum members, including targeted Electronic Direct Marketing initiatives
- Personalised and exclusive shopping events, e.g. ‘keys to the store’

“MYER one loyalty program represents a key competitive advantage”

3. Strengthen our loyalty program

Innovating to delight MYER one members

- Offering **MYER one** members more choice to be rewarded
- **MYER one** app: 370,000 downloads
- Strong support for key national affiliates partner Caltex
- Myer Wine Club continues to be well supported
- Myer Visa Card customers continue to be highly engaged
- Commonwealth Bank ‘pay with points’ collaboration resonates strongly with customers

“Continue to focus on customer engagement by rewarding our most valuable members”

Image: MYER one Wine Club

4. Build a leading omni-channel offer

Solid progress demonstrated by key metrics

- Continued strong growth in online sales, climbing store rankings
- Increased sales via mobile devices (phone and tablet)
- Online basket size and order value increased
- Conversion improvement following website navigation upgrade in November 2013
- 'Click & Collect' extended to 20 stores

"Significant growth in key customer metrics, over 18.5 million visits in 1H 2014"

- 269,000 followers
- 1,800 followers
- 18,700 followers
- 51,000 followers
- 2.24 million email addresses
- 3.6 million mobile numbers

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DELIVERING OUR FIVE-POINT PLAN / 27

Online distribution centre transforming fulfilment

- Launched October 2013
- Managed by Cargo Services
- Significant reduction in cost of online order fulfilment
- Currently holds 13,000 SKUs with further capacity

5. Optimise our store network

- Store network integral to omni-channel strategy
- New stores due to open 1H FY15: Joondalup (WA), Mt Gravatt (QLD)
- Greenhills (NSW) confirmed with a planned opening in FY17
- Decision not to proceed with Plenty Valley (VIC)
- Store closures: Dandenong (October 2013), Elizabeth (February 2014)
- Refurbishment investment: Adelaide (SA), Indooroopilly (QLD), Miranda (NSW), Macquarie (NSW)
- Space hand back in targeted stores, space optimisation project completed in four stores
- Ongoing lease reviews ahead of expiry yielding results

"Focus on improving productivity and returns per square metre"

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Indicative new stores schedule*

Store	State	Year	Size (GLA sqm)	Landlord	Centre MAT** $mill	Estimated catchment population	Metro infill	Growth corridor	Regional city
Myer Melbourne expansion[1]	VIC	FY2014	7,000	CFS	NA	c. 4 million			
Hobart replacement store [2]	TAS	FY2015	12,620	Private	NA	203,000			✓
Mt. Gravatt	QLD	FY2015	12,500	Westfield	566	306,000	✓		
Joondalup	WA	FY2015	12,000	Lend Lease	567	200,000		✓	
Woden [2]	ACT	FY2016	12,500	Westfield	392	158,000	✓		
Werribee replacement store	VIC	FY2016	12,500	Pacific	431	194,000		✓	
Tuggerah	NSW	FY2016	12,000	Westfield	470	157,000			✓
Darwin	NT	FY2017	12,000	GPT	388	133,000			✓
Greenhills	NSW	FY2017	12,000	Stockland	327	159,000			✓
Coomera	QLD	FY2017	12,000	Westfield	NA	168,000		✓	

[1] Emporium expansion underway in CFS Lonsdale Street building.
[2] Under review, timing to be confirmed.

Subject to variation and review
*** Moving Annual Turnover*

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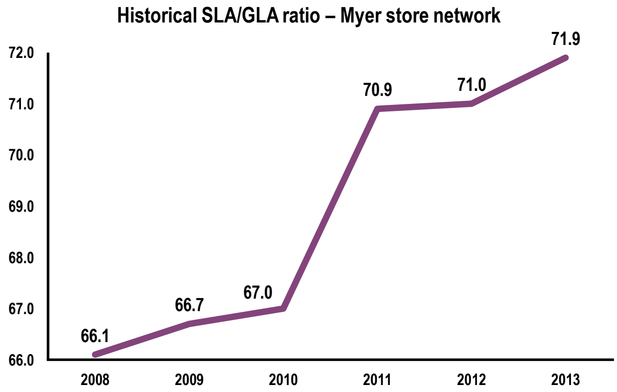
Improving the productivity of our network

- Targeting improved SLA/GLA ratio via:
  1. Productive new stores
  2. Refurbishments
  3. Store closures
  4. Space hand backs
- Continued comparable sales per square metre growth during FY2014

Steady growth in selling space as % of overall space



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DELIVERING OUR FIVE-POINT PLAN / 31

1H 2014 RESULTS

Overview

Financial update

Delivering our five-point plan

Outlook

Image: Sportscraft

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Strategic initiatives

- Ongoing strategic review to optimise competitiveness in changing retail environment
- David Jones merger proposal represents unique opportunity
  - Significant analysis undertaken
  - All stock nil premium merger to unlock substantial synergy value
  - Expected ongoing cost synergies in excess of $85m p.a. within three years
  - Potential value creation of $900 million* to be shared between both sets of shareholders
- Welcome David Jones' appointment of strategic adviser to assess our proposal and potential synergies

*Calculated on annualised run-rate cost synergies multiplied by blended pro forma FY2014 EV/EBIT multiple of 10.6x (based on consensus FY2014 EV/EBIT multiples as at 25 October 2013).

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Image: Blaq (Myer Exclusive Brand)

OUTLOOK / 33

Outlook

- Cautious consumer outlook for remainder of FY2014
- 2H 2014 sales benefits: Q4 completion of two major refurbishments, Melbourne City store expansion (Emporium), key categories growth, new brands, online
- 2H 2014 sales impacts: Dandenong and Elizabeth store closures, store refurbishments expected to more than offset sales benefits
- Expect 2H FY2014 gross profit margin to be flat vs. 2H FY2013
- FY2014 cash CODB 4-5% increase, FY2014 capex forecast $90m (gross)
- Earnings momentum expected to improve into FY2015
  - two new stores, Emporium, completion of major refurbishments
  - online growth, new brands, Myer Exclusive Brands growth
  - moderation of cost growth headwinds

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Image: sass & bide

OUTLOOK / 34

Historical sales including concessions

	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Total sales $m*	649.1	766.0	688.0	1,044.4	652.5	759.9	691.1	1,046.0
Total Sales growth	-1.3%	-0.3%	+1.0%	+2.1%	+0.5%	-0.8%	+0.4%	+0.2%
LFL sales growth**	-2.1%	+0.3%	+0.8%	+1.7%	+0.4%	-1.6%	+0.4%	+1.7%

Notes:
* Total sales are post IFRS adjusted.
** In the like-for-like methodology (comparable store sales) sales for refurbished stores are excluded for the period of refurbishment only. Also excluded are new and closed stores [as well as sass & bide pre-acquisition in March 2011].

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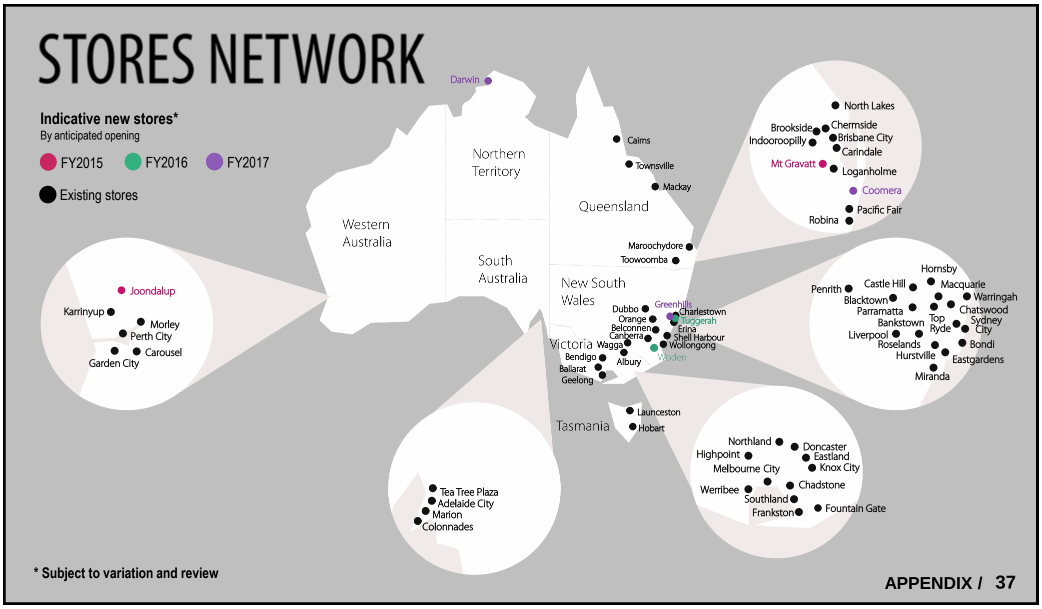
STORES NETWORK
Indicative new stores*
By anticipated opening
FY2015
FY2016
FY2017
Existing stores
Darwin
Northern Territory
Western Australia
South Australia
Queensland
New South Wales
Victoria
Tasmania
Cairns
Townsville
Mackay
Maroochydore
Toowoomba
North Lakes
Brookside
Chermside
Indooroopilly
Brisbane City
Carindale
Mt Gravatt
Loganholme
Coomera
Pacific Fair
Robina
Joondalup
Karrinyup
Morley
Perth City
Carousel
Garden City
Dubbo
Orange
Belconnen
Canberra
Wagga
Greenhills
Charlestown
Tuggerah
Erina
Shell Harbour
Wollongong
Woden
Albury
Bendigo
Ballarat
Geelong
Hornsby
Penrith
Castle Hill
Macquarie
Blacktown
Warringah
Parramatta
Chatswood
Bankstown
Top Ryde
Sydney City
Liverpool
Roselands
Bondi
Hurstville
Eastgardens
Miranda
Launceston
Hobart
Tea Tree Plaza
Adelaide City
Marion
Colonnades
Northland
Doncaster
Highpoint
Eastland
Melbourne City
Knox City
Chadstone
Werribee
Southland
Frankston
Fountain Gate
* Subject to variation and review
APPENDIX / 37


MYER AMBASSADORS
Jennifer Hawkins: Face of Myer
Kris Smith: Ambassador
Kate Peck: Ambassador
Lauren Phillips: Ambassador
Laura Dundovic: Ambassador
Jodi Anasta: Piper Ambassador
APPENDIX / 38

Disclaimer

All numbers are unaudited. The financial information includes non-IFRS information which has not been specifically audited in accordance with Australian Accounting Standards but has been extracted from the Half Year Financial Report (Appendix 4D).

This release 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", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" and similar expressions. Indications of plans, strategies and objectives of management, sales and financial 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 the control of Myer. Actual results, performance or achievements may vary materially from any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which are current only as at the date of this release. Myer assumes no obligation to update such information.