MYER

# ASX & MEDIA RELEASE

***15 September 2016***

## FY2016 NPAT of $69.3 million (pre implementation costs) in line with guidance

Myer Holdings Limited (MYR) today announced its financial results for the 53 weeks to 30 July 2016, marking the first year of the New Myer strategy.

Myer Chief Executive Officer and Managing Director, Richard Umbers said: "After 12 months in our five year New Myer journey we have made pleasing progress on our transformation and at the same time delivered a net profit result in line with guidance."

**FY2016 in summary**

- Sales up 2.9% to $3,289.6 million, up 3.0%* on a comparable store basis
- On a 52-week basis, total sales were up 1.6% to $3,245.9 million
- Comparable stores sales in Flagship and Premium stores in Victoria and NSW increased by 5.6%
- Operating gross profit margin 164 basis points lower reflecting strong concession sales and lower Myer Exclusive Brands (MEB) sales
- Disciplined cost focus led to 93 basis points reduction in CODB/sales
- Operating cash flow improved by $36 million
- FY2016 NPAT of $69.3 million in line with guidance
- Statutory NPAT of $60.5 million (after implementation costs associated with New Myer of $8.8 million post tax)
- Final dividend of 3.0 cents per share fully franked, to be paid on 10 November 2016 (Record Date is 29 September 2016)

**New Myer Strategy Update**

"There is no doubt that as a result of our strategy, Myer is a measurably stronger business today than it was a year ago," Mr Umbers said.

"Our early progress shows Myer in a new light, where the focus on customers, brands, service, efficiency and productivity is evident in our results.

"The first year of the New Myer strategy demonstrates the complexity of our journey. The strong customer take up of our wanted brands has impacted margin and mix. Higher concession sales contribute to improved service and lower costs over time, but reduced gross profit margin.

"Since August 2015 we have introduced over 850 new or upgraded brand destinations and markedly improved our customer service, particularly in our Flagship and Premium stores.

"We still have a long way to go but we are moving in the right direction. In the first 12 months we have made a number of critical investments to build a solid foundation from which we will continue to execute the strategy.

"Customers are also responding positively to New Myer's digital strategy with omni-channel

** Comparable store sales are on a 52-week basis, new and closed stores are excluded and sales for refurbished stores are excluded for the period of refurbishment only.*

sales increasing by 74 percent and profit growing at a faster rate than sales," Mr Umbers said.

Myer today announced it will exit its Logan store in FY2018 and will not proceed with a planned store in Darwin. These are in addition to previously announced store exits at Brookside, Orange and Wollongong in FY2017 and the decision to no longer proceed with planned stores at Coomera and Tuggerah.

In addition, Myer today also announced the decision to hand back space at stores in Cairns, Blacktown and Castle Hill in FY2017 which will further drive productivity improvements.

"Our commitment to improving productivity has led to a reduction in operating costs, and we remain focused on re-shaping our store footprint, and investing in stores that align with our core customers," Mr Umbers said.

"In 2016 we have also invested in recruiting the specialist skills required to provide leadership and execute our strategy, significantly improving our organisational capability.

"New Myer has won the strong support of our customers, our team, our suppliers and other stakeholders. Amongst the team, the New Myer transformation has been widely embraced and the focus on execution is evident across the company," Mr Umbers said.

**Progress on New Myer target metrics**

| **New Myer target metrics** | **FY2016** |
| --- | --- |
| Target average sales growth greater than 3% between 2016 – 2020 | FY2016 sales up 2.9% (53 weeks basis) |
| Target greater than 20% improvement in sales per square metre by 2020 | Sales per square metre increased by 5.6% to $4,131 |
| Target EBITDA growth ahead of sales growth by 2017 | EBITDA down by 7.6%<br>Sales up 2.9% |
| Target Return on funds employed (ROFE) greater than 15% by 2020 | ROFE 9.1% |

**FY2016 Result**

Total sales grew by 2.9 percent to $3,289.6 million, up 3.0 percent on a comparable stores basis, driven by the rollout of wanted brands and improved customer service as well as continued growth in our online business. Total sales in the fourth quarter grew by 0.7 percent excluding the 53rd week, up 1.8 percent on a comparable stores basis reflecting a more challenging environment during the last quarter.

Myer's Flagship and Premium stores in NSW and Victoria outperformed, with comparable sales growth of 5.6 percent reflecting a continued focus on executing the New Myer strategy in these stores.

Operating gross profit (OGP) margin declined by 164 basis points to 38.7 percent. This result was driven by the strong customer response to our new wanted brands, which included a higher concession mix with higher sales productivity but lower gross profit margin.The continued focus on a more powerful and reduced range of Myer Exclusive Brands negatively impacted margin. In addition, the OGP margin was impacted by Australian dollar depreciation which was in part mitigated by the focus on product, price and markdown efficiencies.

The cost of doing business margin reduced by 93 basis points to 32.5 percent. Cost efficiencies were achieved across the business as a result of steps taken to create a simplified business model supporting a narrower and more focused range of brands. However these cost savings were largely offset by higher project opex and capex spend to support the New Myer strategy.

Savings in store salaries as a result of a voluntary redundancy program and an increase in concessions staffing were largely reinvested in additional customer-facing hours, particularly in our Flagship and Premium stores.

Net finance costs reduced by $8.1 million to $14.6 million as a result of lower net debt following the Entitlement Offer in September 2015. NPAT pre implementation costs associated with New Myer was $69.3 million in line with guidance, with post-tax implementation costs of $8.8 million, ($18.3 million pre-tax), broadly in line with expectations leading to statutory NPAT of $60.5 million.

Net operating cash flows improved by $36 million, supporting the Board’s decision to determine a final dividend of 3.0 cents per share, taking the full year dividend to 5.0 cents per share.

Inventory was $14 million higher at $396 million compared to the end of FY2015, but represented a $12 million improvement compared to the end of the first half. Following the unseasonably warm start to Winter, there has been a successful reduction in seasonal Winter product, with the increase in stock levels occuring mainly in non-seasonal product categories from higher levels of replenishment.

Cash capital expenditure was lower at $59 million compared to $63 million in FY2015, reflecting relatively lower costs associated with the wanted brands rollout and store upgrades compared to store openings in FY2015. There is a strong pipeline of planned capital expenditure for initiatives during FY2017.

**FY2017**

“In 2017 we will be accelerating capital investment in our priority stores. The newly opened Werribee store demonstrates how we are tailoring the Myer offer to our local customers. Our new store at Warringah, set to open in November 2016, will be the first physical embodiment of our customer led New Myer strategy. We will also commence refurbishments and upgrades at a number of stores including Melbourne, Sydney, Maroochydore, Eastland, Doncaster, Chatswood and Pacific Fair.

“During 2017 we will build on our wanted brands focus with the continued roll out of a number of brands including TOPSHOP TOPMAN, Industrie, Mimco, and the introduction of SABA, Oroton and John Lewis homewares. In addition, we will roll out the service and investment model for our key MEB master brands to 40 stores,” Mr Umbers said.

Myer believes it is well placed to proactively manage sales, mix, margin and costs at the same time as executing a significant pipeline of New Myer initiatives. In FY2017 Myer anticipates EBITDA growth ahead of sales growth, as well as a return to NPAT growth (pre implementation costs).

-ends-

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### Analyst and Investor briefing:

A briefing will be held for analysts and investors today at 10:00am (Melbourne time). This briefing will be webcast live at: http://streamcast.com.au/myer/FY2016. 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

*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 Annual Financial Report (Appendix 4E).*

*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 53 weeks to 30 July 2016**

| | FY2016 30 Jul 2016 $m (53 weeks) | FY2015 25 Jul 2015 $m (52 weeks) | Change vs. LY $m | Change vs. LY % |
|---|---|---|---|---|
| **Total Sales** | **3,289.6** | **3,195.6** | **+94.0** | **+2.9%** |
| Concessions | **610.6** | 501.2 | +109.4 | +21.8% |
| Myer Exclusive Brands | **616.2** | 660.1 | (43.9) | (6.7%) |
| National Brands | **2,062.8** | 2,034.3 | +28.5 | +1.4% |
| Operating Gross Profit | **1,274.3** | 1,290.4 | (16.1) | (1.2%) |
| *Operating Gross Profit margin* | ***38.74%*** | *40.38%* | | (164bps) |
| Cost of Doing Business | **(1,068.1)** | (1,067.2) | +0.9 | +0.1% |
| *Cost of Doing Business margin* | ***32.47%*** | *33.40%* | | +93bps |
| **EBITDA** | **206.2** | **223.2** | **(17.0)** | **(7.6%)** |
| *EBITDA margin* | ***6.27%*** | *6.98%* | | *(71bps)* |
| Depreciation and amortisation | **(92.7)** | (89.7) | +3.0 | +3.3% |
| **EBIT** | **113.5** | **133.5** | **(20.0)** | **(15.0%)** |
| *EBIT margin* | ***3.45%*** | *4.18%* | | (73bps) |
| Net Finance Costs | **(14.6)** | (22.7) | (8.1) | (35.7%) |
| **Net Profit Before Tax** | **98.9** | **110.7** | **(11.8)** | **(10.7%)** |
| Tax | **(29.6)** | (33.2) | (3.6) | (10.8%) |
| **Net Profit After Tax (NPAT) (pre implementation costs)** | **69.3** | **77.5** | **(8.2)** | **(10.6%)** |
| **Implementation costs associated with New Myer (post tax)** | **(8.8)** | **(47.7)** | (38.9) | |
| **Statutory NPAT** | **60.5** | **29.8** | **+30.7** | **+103.0%** |

**Table 2: Balance Sheet as at 30 July 2016**

| | *As at 30 July 2016* | *As at 25 July 2015* |
|---|---|---|
| | **$m** | **$m** |
| Inventory | 396 | 382 |
| Other Assets | 77 | 66 |
| Less Creditors | (400) | (387) |
| Less Other Liabilities | (212) | (195) |
| Property | 24 | 25 |
| Fixed Assets | 421 | 444 |
| Intangibles | 904 | 916 |
| **Total Funds Employed** | **1,210** | **1,251** |
| *Comprising of:* | | |
| Debt | 147 | 441 |
| Less Cash | (45) | (53) |
| **Net Debt** | **102** | **388** |
| Equity | 1,108 | 863 |
| | **1,210** | **1,251** |

**Table 3: Cash flow for the 53 weeks to 30 July 2016**

| | **FY2016** | **FY2015** |
|---|---|---|
| | **$m** | **$m** |
| EBITDA* | 196 | 183 |
| Working capital movement | (10) | (33) |
| **Operating cash flow** | **186** | **150** |
| *Conversion* | *95%* | *82%* |
| Capex paid / acquisitions** | (59) | (63) |
| **Free cash flow** | **127** | **87** |
| Tax | (20) | (31) |
| Interest | (16) | (23) |
| Dividends | (16) | (73) |
| Net proceeds from Entitlement Offer | 212 | 0 |
| **Net cash flow** | **287** | **(40)** |

** EBITDA represents statutory EBITDA for the period, including implementation costs. This is reconciled to earnings pre implementation costs in the slides Appendix*
*** Net of landlord contributions*

**Table 4: Other Statistics and Financial Ratios**

| | FY2016 | FY 2015 |
|---|---|---|
| Return on Total Funds Employed* | 9.1% | 10.7% |
| Gearing | 8.4% | 31.0% |
| Net Debt/EBITDA* | 0.5x | 1.7x |
| Stock Turn | 3.4x | 3.4x |
| Creditor Days | 70 days | 72 days |

* *Calculated on a rolling 12 months basis*

**Table 5: Shares and Dividends**

| | FY 2016 | FY 2015 |
|---|---|---|
| Shares on Issue | 821.3 million | 585.7 million |
| Basic EPS* | 8.8 cents | 13.2 cents |
| Dividend per Share | 5.0 cents | 7.0 cents |

* *Calculated on weighted average number of shares of 786.8 million (FY2015: 585.7 million) and based on NPAT pre Implementation Costs*

15 SEPTEMBER 2016

# MYER HOLDINGS FY2016 RESULTS

## TO 30 JULY 2016


RICHARD UMBERS
CEO AND MANAGING DIRECTOR

GRANT DEVONPORT
CHIEF FINANCIAL OFFICER


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New Myer Progress

FY2017

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# New Myer progress update: Seeing Myer in a New Light

- Over 850 new or upgraded wanted brand destinations
- 7.2% improvement in Net Promoter Score in Flagship and Premium stores driven by service investment
- 74% growth in omni-channel sales with profit growing well ahead of sales
- Store exits, space hand backs and refurbishments to improve productivity
- Opened new Werribee store
- 'New Myer' Warringah store opens in November
- Significant investment in building internal capability and specialist skills

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# FY2016 NPAT in line with guidance

- Sales up 2.9% to $3,289.6 million, up 3.0%* on a comparable store basis
- On a 52-week basis, total sales were up 1.6% to $3,245.9 million
- Comparable store sales in Flagship and Premium stores in Victoria and NSW increased by 5.6%
- Operating gross profit margin 164 basis points lower reflecting strong concession sales and lower Myer Exclusive Brand sales
- Disciplined cost focus led to 93 basis points reduction in CODB/sales
- Operating cash flow improved by $36 million
- FY2016 NPAT of $69.3 million in line with guidance
- Statutory NPAT of $60.5 million (post implementation costs associated with New Myer of $8.8 million post tax )
- Final dividend of 3.0 cents per share fully franked

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** Comparable store sales are on a 52-week basis, new and closed stores are excluded and sales for refurbished stores are excluded for the period of refurbishment only.*

## First year of progress on the Metrics that Matter

| | NEW MYER TARGET METRICS | FY2016 |
|---|---|---|
| SALES | Target average sales growth greater than 3% between 2016 - 2020 | FY2016 sales up 2.9% |
| SALES / SQM | Target greater than 20% improvement by 2020 | Sales per square metre increased by 5.6% |
| EBITDA | Target EBITDA growth ahead of sales growth by 2017 | EBITDA down by 7.6%<br>Total sales up 2.9% |
| ROFE[1] | Target ROFE greater than 15% by 2020 | ROFE 9.1% |

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*[1] ROFE is calculated on a rolling 12 months basis as at July 2016*
*See Appendix for further details on target metric calculations.*



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# New Myer is moving in the right direction…

- Sales benefited from wanted brands and enhanced service strategy
- Comparable store sales +3.0%
- Operating gross profit margin impacted by strong growth in concessions, and lower MEBs
- CODB / sales improved by 93 basis points
- NPAT pre-implementation costs associated with New Myer of $69.3 million, in line with guidance
- Statutory FY2016 NPAT of $60.5 million, after implementation costs of $8.8 million (post tax)
- Result supports final dividend of 3.0 cents

| $ MILLIONS | FY2016* | FY2015 | CHANGE |
|---|---|---|---|
| Sales | 3,289.6 | 3,195.6 | +2.9% |
| OGP | 1,274.3 | 1,290.4 | (1.2%) |
| OGP margin (%) | 38.7 | 40.4 | (164 bps) |
| CODB | (1,068.1) | (1,067.2) | +0.1% |
| CODB margin (%) | 32.5 | 33.4 | +93 bps |
| EBITDA | 206.2 | 223.2 | (7.6%) |
| EBITDA margin (%) | 6.3 | 7.0 | (71 bps) |
| Depreciation | (92.7) | (89.7) | +3.3% |
| EBIT | 113.5 | 133.5 | (15.0%) |
| Net Finance Costs | (14.6) | (22.7) | (35.7%) |
| Tax | (29.6) | (33.2) | (10.8%) |
| NPAT | 69.3 | 77.5 | (10.6%) |
| Implementation costs (post tax) | (8.8) | (47.7) | |
| Statutory NPAT | 60.5 | 29.8 | +103.0% |

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* FY2016 represents a 53 week period to 30 July 2016.



# 2H16 reflects reduced rate of decline of OGP margin and investment to support New Myer

- Operating gross profit margin rate of decline slowed in 2H
- CODB margin in 2H reflects increased project opex to support New Myer
- EBITDA margin declined due to investment in New Myer initiatives
- Operating cash flow improved despite higher inventory
- Cash flow supported higher final dividend

| | 1H2016 | 2H2016* | FY2016** |
|---|---|---|---|
| OPERATING GROSS PROFIT MARGIN | -187bps | -137bps | -164bps |
| COST OF DOING BUSINESS MARGIN | +134bps | +46bps | +93bps |
| EBITDA MARGIN | -52bps | -91bps | -71bps |
| OPERATING CASH FLOW ($M) | +19 | +17 | +36 |
| DIVIDENDS (CENTS) | 2.0 | 3.0 | 5.0 |

* 2H2016 represents a 27 week period
** FY2016 represents a 53 week period to 30 July 2016

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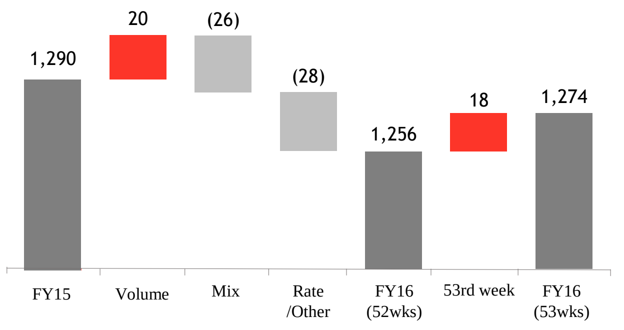
## OGP reflects reset of merchandise mix and rate impacts

- Strong customer take up of wanted brands including higher mix of concessions
  - Concession sales up 21.8% with lower OGP margin
  - MEB sales down 6.7% impacted margin
  - OGP margin down 81 basis points due to mix
- AUD depreciation, cost price inflation increased in 2H
  - 1H16 buying rate 11% below 1H15
  - 2H16 buying rate 15% below 2H15
  - OGP margin down 83 basis points due to rate
- Disciplined markdown management and price focus partly mitigated AUD impact

*Operating gross profit ($ millions)*

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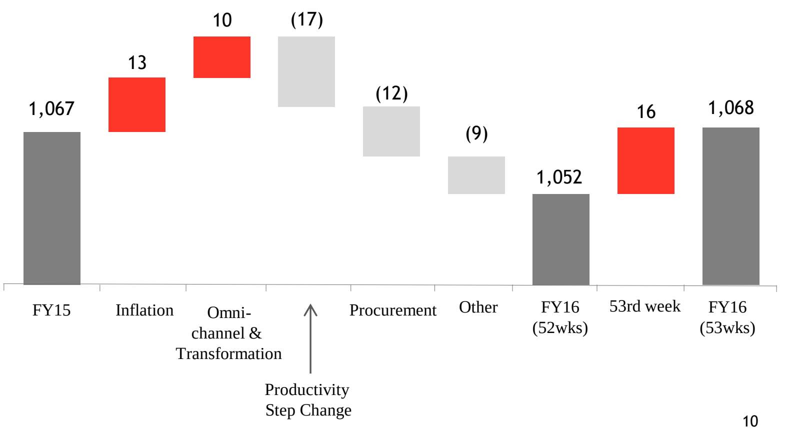
## Cost efficiencies supported investment in New Myer

- CODB margin improved by 93 basis points to 32.5%
- Significant cost savings offset inflationary impacts
- Accelerated investment in omni-channel and transformation
- Savings in store salaries from higher concession in part reinvested in service
- Productivity step change includes support office rationalisation
- Procurement savings in IT, travel, print services

*Cost of doing business ($ millions)*

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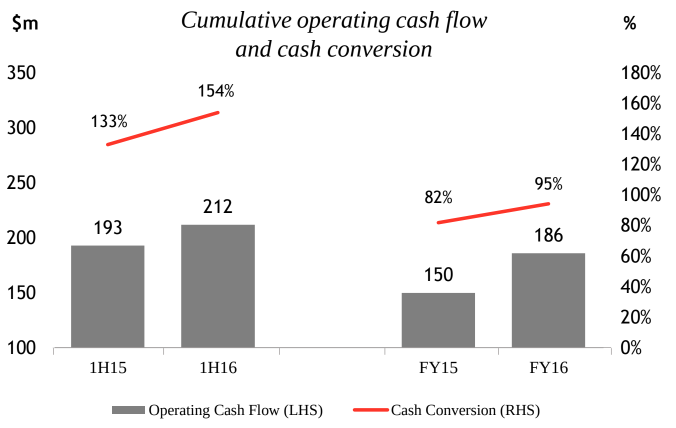
## Continuing to deliver improved cash flow and lower leverage

- Net operating cash flow improved by 24% despite higher inventory
- Cash conversion of 95% reflects a 13% improvement on FY2015
- Free cash flow improvements underpin dividend payouts
- Net debt improved by $74 million excluding net proceeds of $212 million from Entitlement offer
- Fixed charge cover: 1.79x
- Net debt / EBITDA: 0.5x

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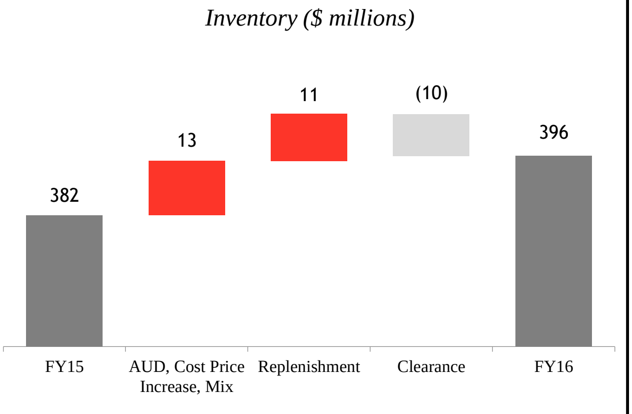
## Inventory reflects mix, cost pressures offset by improved clearance

- Higher stock levels reflect:
  - Impact of AUD depreciation on cost prices, partly offset by reduction in units
  - Maintained high replenishment levels to ensure stock availability
  - Strong performance in higher average unit cost replenishment categories such as cosmetics and appliances
  - Reduced clearance reflects Spring Clean and successful focus on clearance of Winter merchandise

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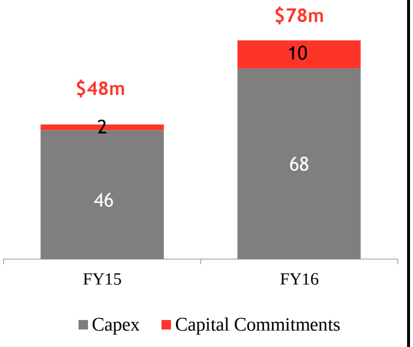
## Strong pipeline of capex to support New Myer in FY2017

- Capex spend accelerated in 2nd half as rollout of New Myer initiatives increases
- Capex focus consistent with New Myer
  - Wanted brands rollout
  - Investment in Omni-channel
  - Refurbishment of Warringah, Werribee and Hobart stores
- Capex and Capital Commitments
  - Capex of $68 million (FY15: $46 million) represents capital incurred in the year, including accrued capital not yet paid for
  - Capital commitments reflects capex committed but not yet incurred
  - Cash capex in FY16 was $59 million (FY15: $63 million)
- Significant work undertaken in 2H2016 to build capex pipeline of investment into FY17 and beyond

*Capex and Capital Commitments ($ millions)*

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# A strategy recap: New Myer delivers a sharper and more focused offer to serve a more valuable customer driving productivity and growth

Focus on a clearly defined and more valuable shopper

Reshape and reinvigorate the shopper experience

Simplify everything

Improve productivity and increase operating leverage

Reinvest in our primary customers

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# Delivered across four clear strategic priorities

| 1 CUSTOMER LED OFFER | 2 WONDERFUL EXPERIENCES | 3 OMNI-CHANNEL SHOPPING | 4 PRODUCTIVITY STEP CHANGE |
|---|---|---|---|
| - Cluster optimisation<br>- Category optimisation<br>- Brand optimisation<br>- Channel optimisation<br>- Localisation<br>- Supplier collaboration | - Elevated Visual Merchandise<br>- Dwell spaces<br>- Improved fitting rooms<br>- Enhanced Myer Hub<br>- Signature service<br>- Trained and capable staff<br>- Targeted customer engagement | - Strengthen online proposition<br>- Omni-channel experience<br>- Right infrastructure and operations | - Store network optimisation<br>- Flagship store emphasis<br>- Right sizing support office<br>- Cost focus and efficiency focus |

UNDERPINNED BY ORGANISATIONAL CAPABILITY

- Efficient operating model
- Execution focused culture
- Technology, processes, systems
- Strengthened balance sheet

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## New Myer is anchored around brands that our customers love…

- Successfully introduced over 850 new or upgraded wanted brand destinations including Seed, Mimco, TOPSHOP TOPMAN, French Connection, Industrie, Jack & Jones, Veronika Maine
- New brands announced today: SABA and Oroton
- Exclusive Australian partner for John Lewis homewares
- Improved brand destinations including Mecca, Country Road, Ben Sherman, G-Star and Ralph Lauren
- Denim destinations being rolled out to priority stores
- Strengthened MEB Master Brands offer now in six stores, to be extended to 40 stores for Piper and Basque
- Exited over 150 brands

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## …and is delivered in stores tailored to their local community

- Recently refurbished Werribee store demonstrates Mainstream store concept
- Store reflects local customer demographics, shopping habits
  - New store design and layout
  - 80 new brands introduced including TOPSHOP TOPMAN
  - Expanded Childrenswear, Youth, Travel Goods and Toys
  - Home decorator destination
  - In store cafe
  - Technology enhanced customer service
  - The Myer Hub combines Click & Collect, Shop and Drop, free Wi-Fi, gift registry

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## Better customer service delivered by a stronger, and more capable team

– Increased Net Promoter Score by 6.0% reflecting improved service
    – Improved roster flexibility to match peak trading
    – Localised workforce aligned to local catchments
    – Savings from voluntary redundancies reinvested in additional hours
    – Store upgrades including improved visual merchandising, lighting, and change rooms
    – Commenced rollout of new mannequins, fixtures, trend galleries, feature lighting in priority stores

Customer Satisfaction Award
Roy Morgan Research
Department Store of the Year 2015

MYER


## Investing in personal shopping experiences

– 15 personal shoppers in priority stores
– Opened first Myer trend gallery and new personal shopping suites at Highpoint store
    – Showcasing latest lifestyle trends from across the store
    – Updated every two weeks
    – Styling, gift selection and interiors advice
– Dedicated recruitment and training for personal shoppers and change room consultants
– Upgraded change rooms to be rolled out to priority stores

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# New Myer's omni-channel focus is delivering step change improvements…

- 74% growth in omni-channel sales with profit growing even faster than sales due to:
  - Customer experience improvements driving increased conversion
  - Sales via 2,500 iPads in store increased by 117%
  - launch of the Myer eBay store
- Productivity improvements in order fulfilment reduced omni-channel CODB by 25%
- Click & Collect now represents 9% of omni-channel sales
- Technology enhances in-store customer experience e.g. shoe finder app
- Launched World's First Virtual Reality Department Store with eBay

AWARDED:

*"Top Department Store Retailer in recognition of outstanding achievement in digital retail"*

POWER RETAIL

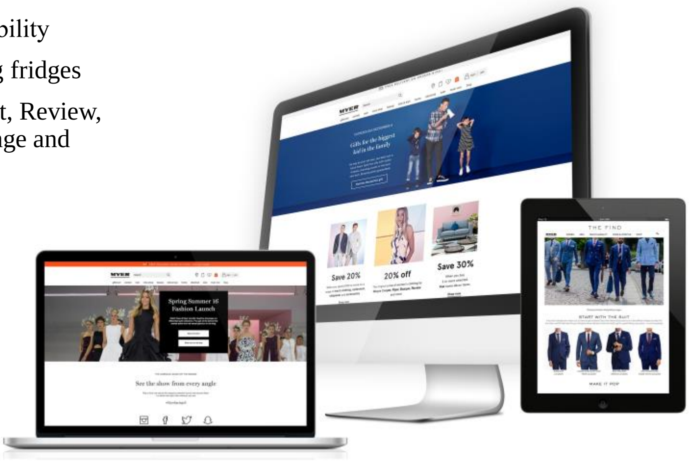
Power Retail 2016 TOP 20 AUS RETAILER

MYER



# Customers are increasingly shopping our online store

- **Over 60 million visits to myer.com.au website**
- Focus on 'right ranging' to improve profitability
- Introduced new categories online e.g. Smeg fridges
- Launched concessions online (Sunglass Hut, Review, Alan Pinkus, Rodd & Gunn) to broaden range and enable range extension
- Improved pathway to purchase experience leading to 33% improvement in conversion
- Online redemption of gift cards
- Increased Search Engine Marketing to drive traffic



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# Optimising our store network to improve productivity

– Confirmed plans to exit stores at Brookside, Orange and Wollongong in FY2017 and Logan in FY2018
– Not proceeding with Coomera, Tuggerah, Darwin
– Space hand back at Cairns, Blacktown and Castle Hill
– Opened new Werribee store with localised offer
– Warringah store to open in November 2016
– Refurbishments and upgrades planned at stores including Melbourne, Sydney, Maroochydore, Eastland, Doncaster, Chatswood and Pacific Fair
– A total of 5.9% reduction in SLA* footprint delivered or committed

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** Selling Leasable Area*


# Warringah will show Myer in a New Light

– Innovative store design to reflect a localised northern beaches lifestyle
– Leading brands including TOPSHOP TOPMAN, Mecca, Seed, Veronika Maine, Calvin Klein, Industrie, John Lewis homewares
– 150 newly recruited Team Members, local talent
– Personal Shopper with international experience
– New change room stylists
– Enhanced dwell spaces including café and a full service barber
– Enhanced services including free Wi-Fi, Click & Collect

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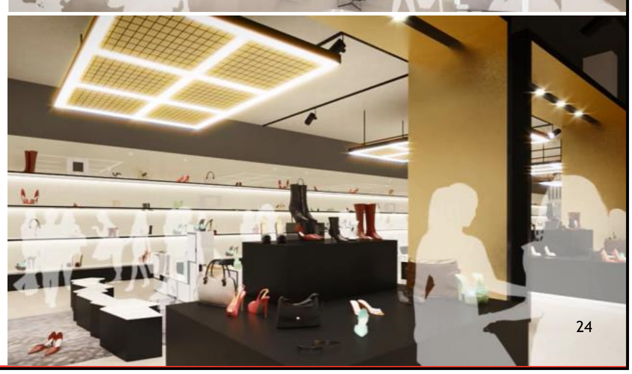

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# The Agenda

FY2016 Highlights

FY2016 Financial Overview

New Myer Progress

FY2017

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## FY2017 – Delivering on the metrics that matter

- We will continue the rapid rollout of New Myer initiatives with a significant pipeline of capital investment planned for FY2017
- Wanted brands roll out to continue
- MEB Master Brands strategy to be rolled out to 40 stores
- Exit of stores at Brookside, Orange and Wollongong
- Space hand backs at Cairns, Blacktown and Castle Hill
- Refurbishments and upgrades planned at stores including Melbourne, Sydney, Maroochydore, Eastland, Doncaster, Chatswood and Pacific Fair
- EBITDA growth to exceed sales growth from FY2017 and a return to NPAT growth pre implementation costs


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## …to bring the love of SHOPPING TO LIFE

*through:*

*Passionate people*

*Inspiring brands*

*Wonderful experiences*

*Personal connections*

*Embracing change*

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15 SEPTEMBER 2016

# MYER HOLDINGS FY2016 RESULTS

## TO 30 JULY 2016

RICHARD UMBERS
CEO AND MANAGING DIRECTOR

GRANT DEVONPORT
CHIEF FINANCIAL OFFICER

## Appendix: Target metrics defined

| NEW MYER TARGET METRICS | | DEFINITION |
|---|---|---|
| SALES | Target average sales growth greater than 3% between 2016 - 2020 | Start point for target metric is FY2015 (26 July 2015) |
| SALES / SQM | Target greater than 20% improvement by 2020 | Sales per square metre is calculated on a rolling 12 months basis using average selling leasable area (SLA).<br>Start point for target metric is July 2015 of $3,910 / m2.<br>On a 12 month rolling basis, sales /m2 were up 5.6% to $4,131 compared to July 2015.<br>Average SLA in FY2016 was 796,366 sqm (FY2015 was 817,264 sqm) |
| EBITDA | Target EBITDA growth ahead of sales growth by 2017 | Start point for target metric is FY2015 (26 July 2015) |
| ROFE[1] | Target ROFE greater than 15% by 2020 | Start point for target metric is FY2015 ROFE calculated on a rolling 12 months basis of 10.7% |

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[1] *Return on Total Funds Employed, calculated on a rolling 12 months basis*

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## Appendix: 52 weeks vs. 53 weeks before implementation costs

| | 53 WEEKS | 53RD WEEK | 52 WEEKS |
|---|---|---|---|
| TOTAL SALES VALUE | 3,289.6 | 43.7 | 3,245.9 |
| OPERATING GROSS PROFIT | 1,274.3 | 18.3 | 1,256.0 |
| COST OF DOING BUSINESS | (1,068.1) | (16.3) | (1,051.8) |
| EDITDA | 206.2 | 2.0 | 204.2 |
| DEPRECIATION & AMORTISATION | (92.7) | (1.9) | (90.8) |
| EBIT | 113.5 | 0.1 | 113.4 |
| NET FINANCE COSTS | (14.6) | (0.3) | (14.3) |
| PROFIT BEFORE TAX | 98.9 | (0.2) | 99.1 |
| INCOME TAX EXPENSE | (29.6) | 0.1 | (29.7) |
| NET PROFIT AFTER TAX | 69.3 | (0.1) | 69.4 |

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# Appendix: EBIT and NPAT reconciliation with statutory slides

| $ MILLIONS | EBITDA | EBIT | TAX | NPAT |
|---|---|---|---|---|
| **Statutory reported result** | **196.2** | **95.2** | **(20.1)** | **60.5** |
| *Add back: Implementation costs* | | | | |
| Restructuring and redundancy costs | 5.8 | 5.8 | (1.7) | 4.1 |
| Store and brand exit costs and other asset impairments | 4.2 | 12.5 | (7.8) | 4.7 |
| | **10.0** | **18.3** | **(9.5)** | **8.8** |
| UNDERLYING RESULT | **206.2** | **113.5** | **(29.6)** | **69.3** |

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# Disclaimer

*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 has not been audited or reviewed in accordance with Australian Accounting Standards and are based on the Full Year Financial Report (Appendix 4E).*

*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 to 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.*

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