



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



David Jones

Business Description

David Jones Limited (DJS) is a leading upmarket retailer with stores throughout Australia. The Group operates 35 department stores and 2 warehouse outlets. DJS and American Express in joint venture run a David Jones branded credit card.

Strategy Analysis

DJS is positioned as Australia's only true upmarket department store chain selling high quality merchandise at a reasonable price within a genteel environment. A strong focus on building the fashion franchise has generated significantly higher trading volumes, and attracted an increasing number of suppliers/labels. Its growing importance to suppliers has delivered improved contract terms, increasing profitability and reducing risk. A core strategy is owning its flagship CBD stores in Sydney and Melbourne allowing greater self-determination. The company launched a general purpose credit card in 2008. This will both leverage and reinforce the David Jones brand. David Jones reported NPAT up 6.3% to \$156.52m for the year ended 25 July 2009. Revenues from ordinary activities were \$1.99bn, down 5.4% from last year. Diluted EPS was 30.3 cents compared to 30.0 cents last year. Net operating cash flow was \$191.53m compared to \$201.96m last year. The final dividend declared was 17 cents, taking the full year dividend to 28 cents compared with 27 cents last year. The total Cost of Doing Business percentage for FY09 was 30.3%, an improvement of 90 basis points on the FY08 CODB percentage (31.2%). Management utilised the strong economic climate in late 2006 and 2007 to implement the Cost Efficiency Programs that have delivered, and will continue to deliver, sustainable and significant cost savings (both fixed and variable). Looking ahead, the Company reported that with stage 1 of its Bourke Street store redevelopment being unveiled in time for Christmas 2009 trading, the Company's business model and growth strategy, the Company is well positioned and poised for growth.

28 July 2010

Recommendation

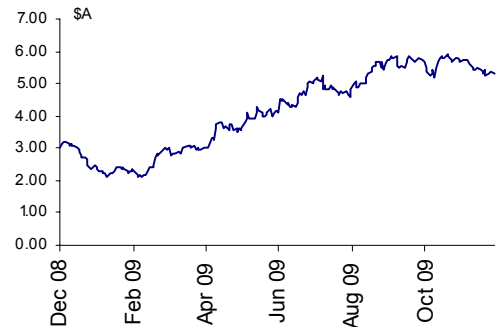
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: DJS
Stock price: \$4.73
Market cap: \$2,401m

	Y/E 31/07/2010	2010e	2011e	2012e	2013e
Reported e	\$m	171.3	180.5	199.8	226.2
Adjusted e	\$m	171.3	180.5	199.8	226.2
EPS adjusted	¢	32.9	34.6	38.3	43.3
EPS growth	%	9.0	5.0	10.7	13.2
PE	x	14.4	13.7	12.4	10.9
PE relative	x	1.0	1.2	1.2	1.2
DPS	¢	32.3	32.5	35.3	39.5
Yield	%	6.8	6.9	7.5	8.4
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Department Stores	96.0	16.8	8.0	-2.0%	0.2%
Financial Services	4.0	10.0	43.2	25.0%	20.0%
Total	100.0	26.8	51.2		
Results by Geography				Dividend Reinvestment Plan	Shareholder Discounts
Australia	100.0	100.0	100.0	Yes	No
Total	100.0				

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