



# **Debenhams plc**

Interim Results 2009

23 April 2009



**Chris Woodhouse**

Finance Director

# Results highlights

Gross transaction value	+0.3%
Like-for-like sales <sup>(b)</sup>	-3.6%
Gross margin %	+10bps
Profit before tax <sup>(a)</sup>	£104.2m
Net debt	£(927.2)m
Earnings per share	9.3p
Interim dividend	Nil

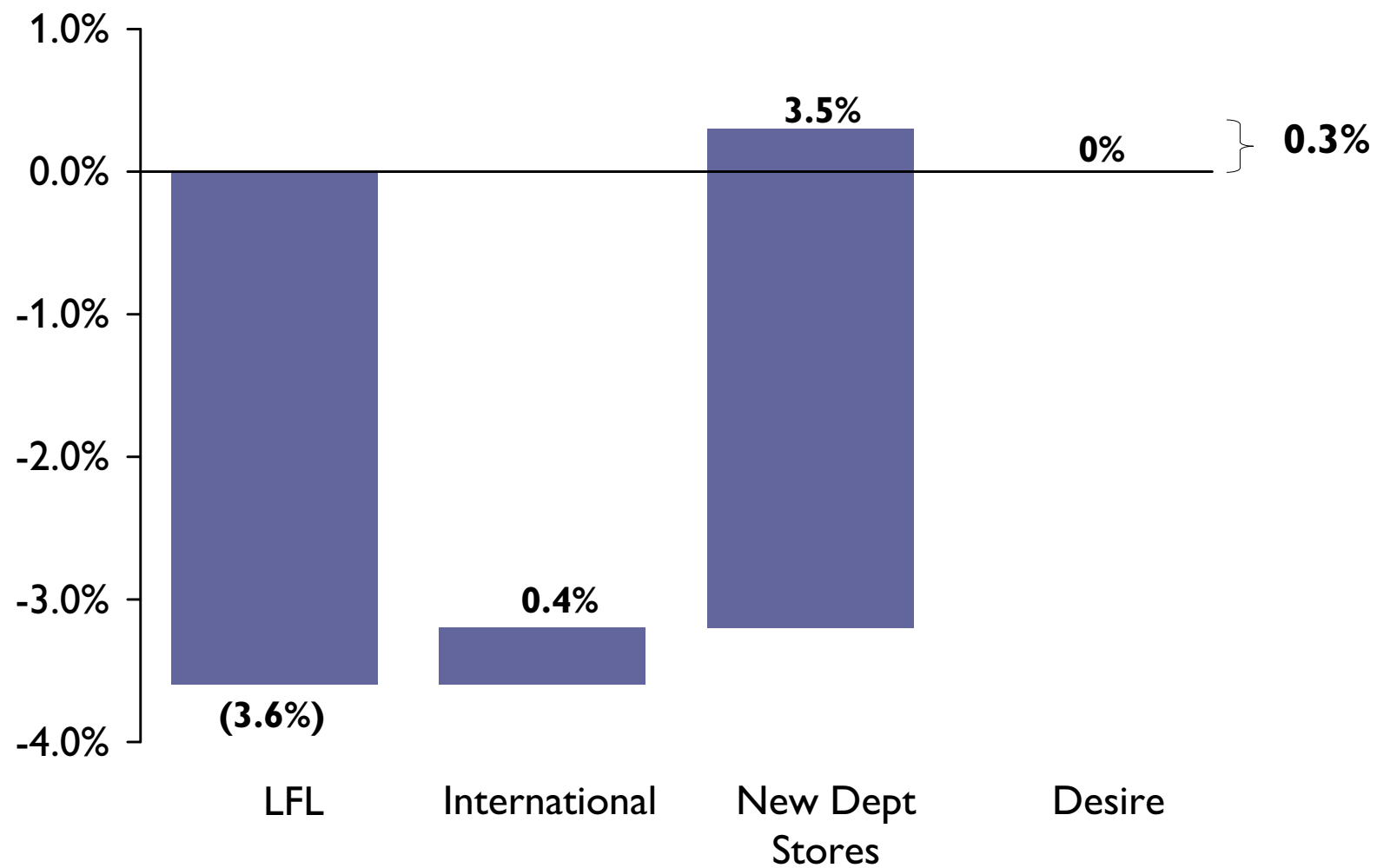
(a) After adding back £2.0m of capitalised bank fees

(b) Like-for-like excluding VAT

# Trading results

£m	<b>HY09</b>	<b>HY08</b>	<b>% <i>Change</i></b>
Gross transaction value	1,307.2	1,303.6	0.3%
EBITDA	183.4	171.9	6.7%
Operating profit	134.7	127.5	5.7%
Interest	(32.5)	(35.5)	
Profit before tax	<b>102.2</b>	<b>92.0</b>	<b>11.1%</b>
Taxation	(21.0)	(26.9)	
Profit after tax	<b>81.2</b>	<b>65.1</b>	<b>24.7%</b>
Basic earnings per share	9.3p	7.6p	22.4%

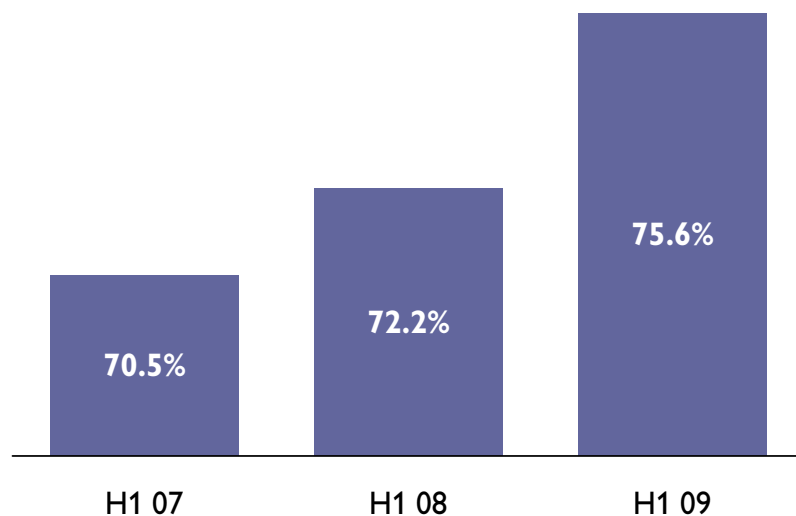
# Sales growth H1 2009



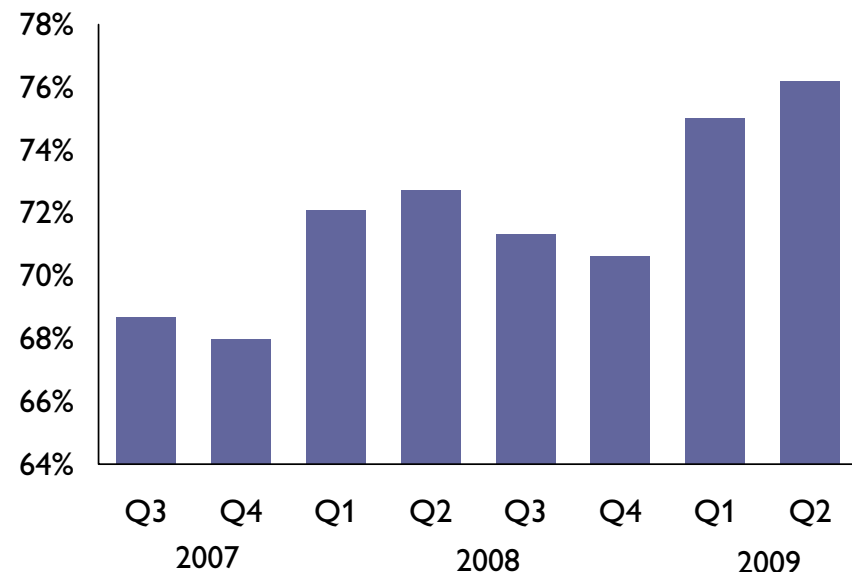
# Gross margin improvement H1 2009

- Margin up 10 bps
- Long term hedging to minimise currency impact
- Move product mix towards higher margin own bought lines
- Lowest historical terminal stock position < 3%

Own bought mix



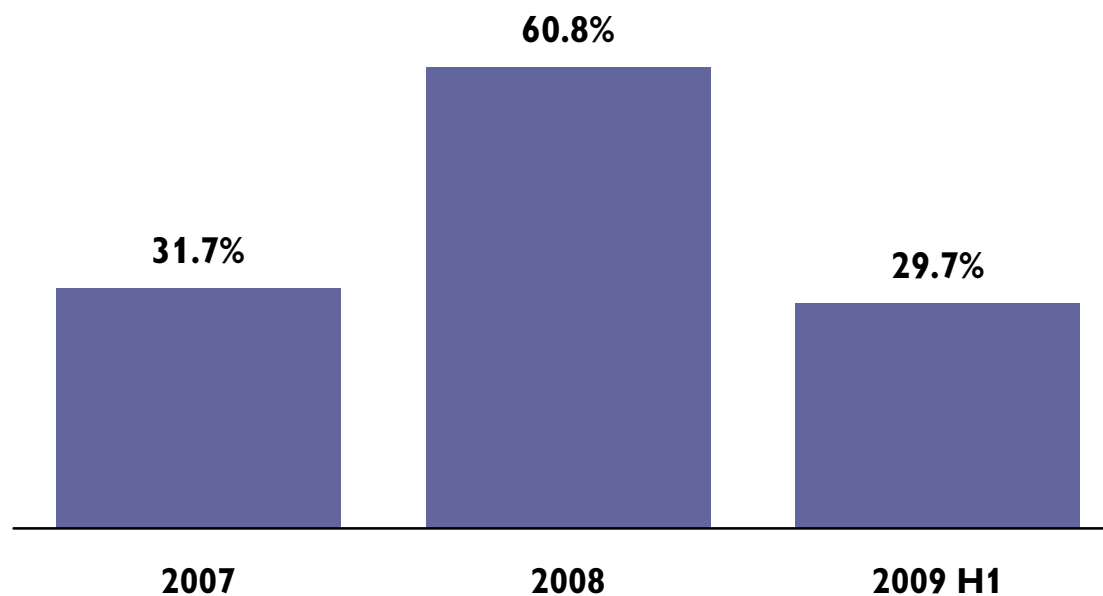
Own bought mix: by quarter



# Direct highlights

Gross transaction value	£27m
Sales growth	+29.7%
EBITDA	+187%

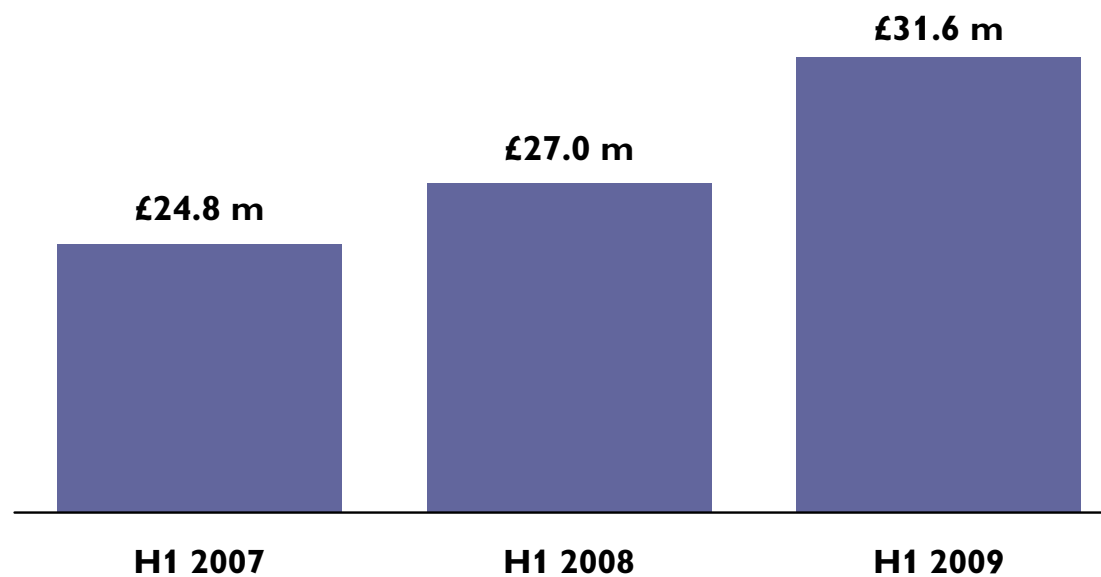
## LFL Growth



# International highlights

Gross transaction value	£31.6m
Sales growth	+17%
EBITDA	+41%

## GTV History



Franchise stores	32	40	49
Countries	15	16	18



# Store costs

£m	<u>H1 09</u>	<u>H1 08</u>
<b>Payroll</b>	<u><b>132.2</b></u>	<u><b>129.0</b></u>
<i>% to sales</i>	10.1%	9.9%
<b>Store rent UK GAAP</b>	68.3	64.5
IFRS adjustment	<u>7.7</u>	<u>7.4</u>
<b>Total store rent</b>	<u><b>76.0</b></u>	<u><b>71.9</b></u>
<i>% to sales</i>	5.8%	5.5%
<b>Energy</b>	<u><b>16.8</b></u>	<u><b>12.8</b></u>
<i>% to sales</i>	1.3%	1.0%

# Warehouse and Distribution

<b>£m</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>Change</u></b>
Labour	8.3	9.8	(1.5)
Property	6.5	6.0	0.5
Transport	10.1	11.1	(1.0)
<b>Total distribution</b>	<b><u>24.9</u></b>	<b><u>26.9</u></b>	<b><u>(2.0)</u></b>
<b>% to Sales</b>	<b>1.9%</b>	<b>2.1%</b>	<b>(0.2)%</b>

# Portfolio KPIs – Space 2009

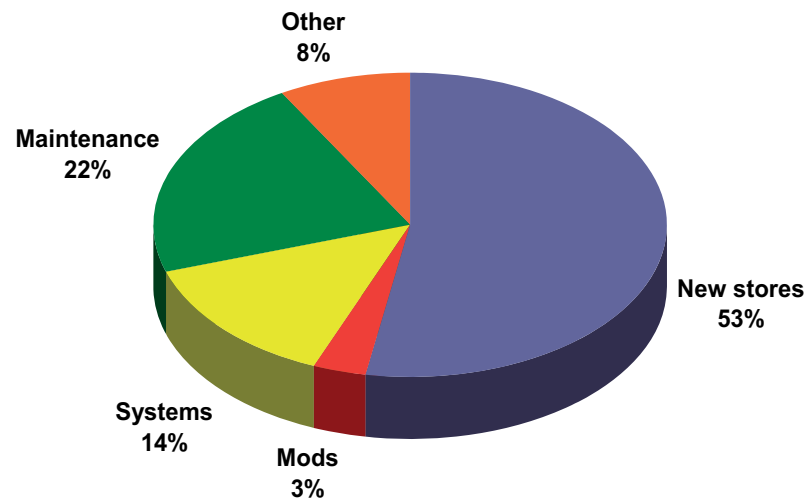
		<u>Sq Ft. (k)</u>	<u>Dept Stores</u>	<u>Desires</u>	<u>Total</u>
<b>2008 Close</b>		<b>10,704</b>	<b>139</b>	<b>10</b>	<b>149</b>
<u>Dept store openings</u>	•Westfield	109	1		
	•Wrexham	60	1		
	•Great Yarmouth	20	1		
	•Livingston	60	1		
<b>2009 H1 Close</b>		<b>10,953</b>	<b>143</b>	<b>10</b>	<b>153</b>
<u>Dept store openings</u>	•Bury St Edmunds*	59	1		
<u>Extension</u>	•Cardiff**	31	-		
<b>2009 Close</b>		<b>11,043</b>	<b>144</b>	<b>10</b>	<b>154</b>

\* Opened 5 March 2009

\*\*Additional space from extension

# Capital expenditure

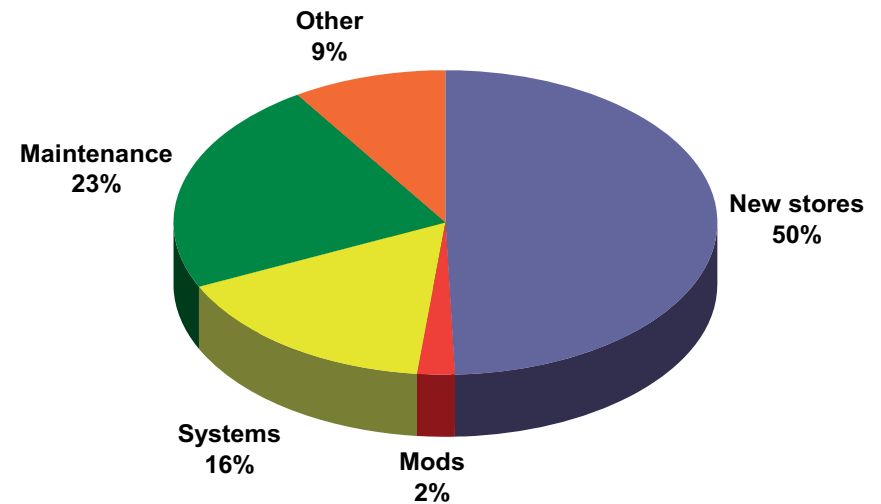
**First half 2009 Actual**



£51.2m

(H1 2008 £71.9m)

**Full year 2009 Guidance**



£90m

# Balance Sheet: Highlights

£m	H1 09	H1 08	FY 08
Fixed assets	1,584	1,691	1,636
Stock	250	249	238
Other working capital	(357)	(421)	(412)
Net debt	(927)	(979)	(994)
Liabilities and charges	(387)	(364)	(343)
<b>Shareholders' funds</b>	<b>163</b>	<b>176</b>	<b>125</b>
Fixed charge cover	2.2x	2.2x	2.2x
Net debt / EBITDA	3.3x	3.5x	3.6x
Pension (deficit) / surplus	£(9)m	£101m	£25m

# Balance sheet: Stock

**Headline increase**

**+0.4%**

New stores

+6.3%

Increase in LFL own bought space

+2.5%

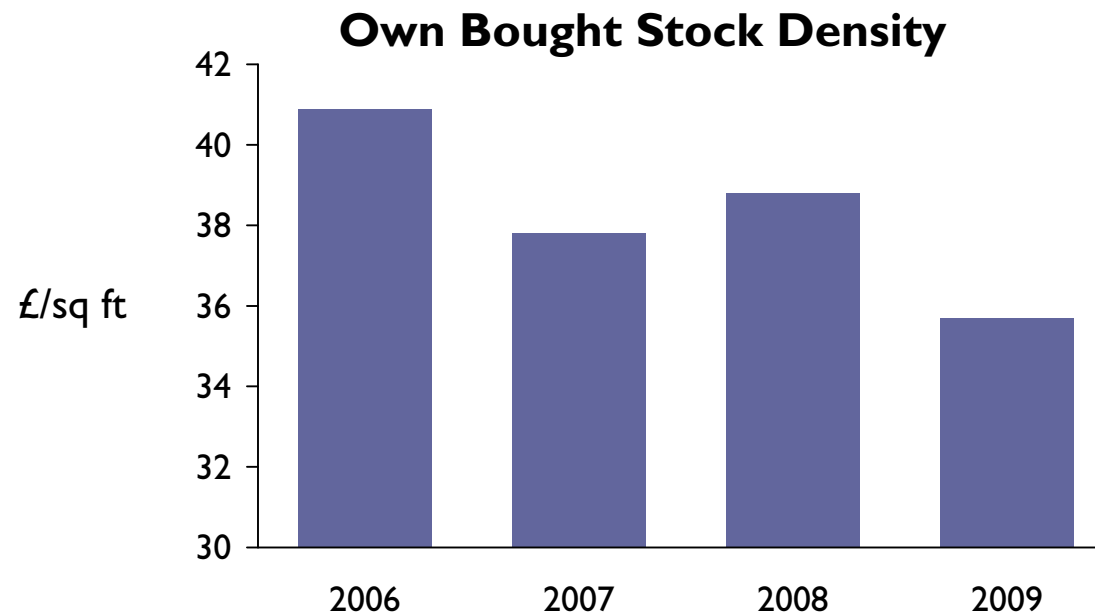
Density reduction

(8.4)%

+0.4%

Terminal Stock

< 3%



# Operating cash flow

£m	H1 09	H1 08
Reported operating profit	134.7	127.5
Depreciation <sup>(a)</sup>	44.4	40.8
Amortisation	4.3	3.6
<b>EBITDA</b>	<b>183.4</b>	<b>171.9</b>
Working capital	(23.0)	9.0
Capital expenditure <sup>(b)</sup>	(51.2)	(68.4)
<b>Operating cash flow before financing and taxation</b>	<b>109.2</b>	<b>112.5</b>
<b>Net debt</b>	<b>£927m</b>	<b>£979m</b>
Swap / cap cover	£740m	£778m
Percentage cover	69%	80%
Latest weighted average cost of debt	4.82%	6.18%

(a) Depreciation includes profit/loss on disposal of fixed assets

(b) Capital expenditure includes proceeds from sale of fixed assets

# Guidance: full year 2009

## Year on year movement in % of sales

FY 09

Gross margin percentage

Flat

### Costs

- Payroll

+30bp

- Rent

+30bp

- Energy

+20bp

- Distribution

-20bp

Taxation rate

21%

Capital expenditure

£90m



# Financial summary H1 2009

Gross sales up	+ 0.3%
Market share gains	+ 10 bps
Gross margin up	+ 10 bps
Profit before tax up	+ 11.1%
Net debt down	£ 67m
Basic EPS up	+ 22.4%

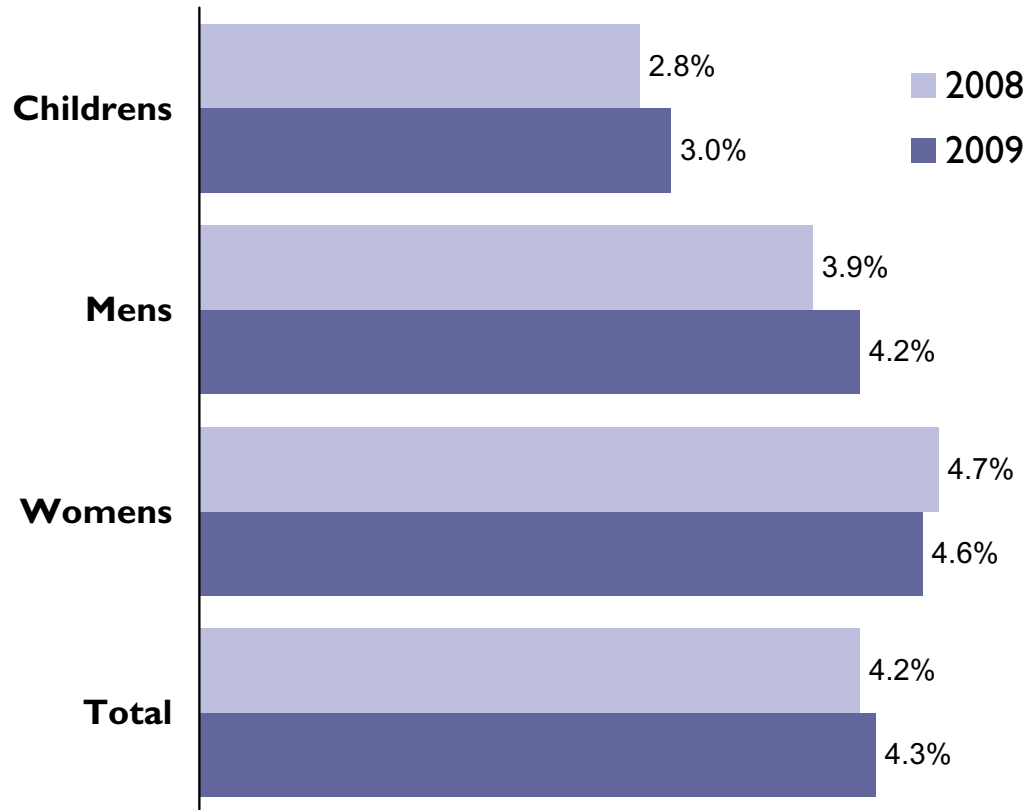


**Rob Templeman**

Chief Executive

# Gaining market share in all key product categories

## Value share for 26 weeks to 1 March 2009



- Need to improve concession performance in womenswear

Source: TNS Worldpanel Fashion 26 weeks market share data (to 1 March 2009 vs. 2008). Womenswear, menswear and childrenswear include clothing, underwear, nightwear, footwear and accessories.

# Market share gains through product differentiation

## Designers at Debenhams “Real designers at affordable prices”



Designer sales growth of 11% in H1 driven by:

- fantastic value through design, quality and style content
- discernible quality clues
- improved visual merchandising
- space utilisation/power brands
- fewer options, better sell-through

## Private label brands “Clear brand profile, easy to shop”

redherring

COLLECTION  
DEBENHAMS

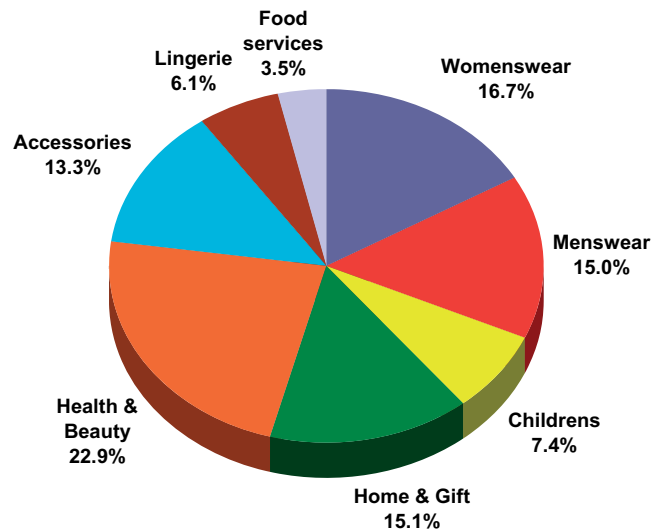
*Mantaray*

MAINE  
NEW ENGLAND

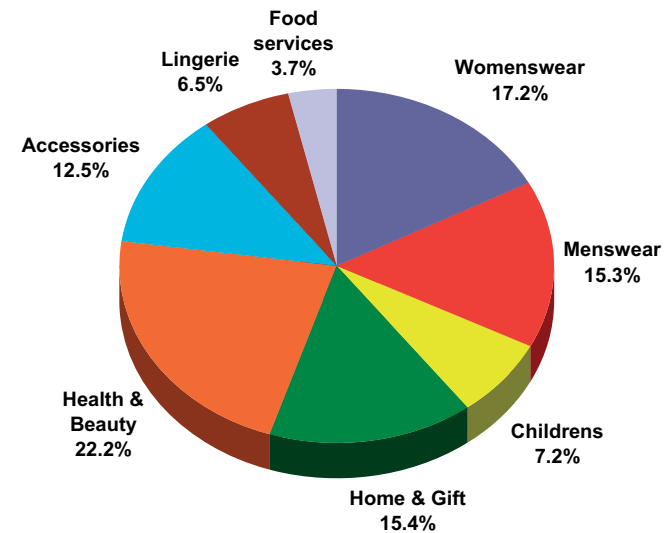
- Each brand clearly targeting a defined customer segment
- Focus on quality and value
- Better presentation
- Fewer options, better sell-through

# Strong contribution from own bought sales in H1

Own bought sales by product category H109



Own bought sales by product category H108



Own bought sales mix



# Priorities for next 12 months

## Product strategy

- Capitalise on success of own bought ranges
- Leverage Designers at Debenhams portfolio
- Improve concession performance

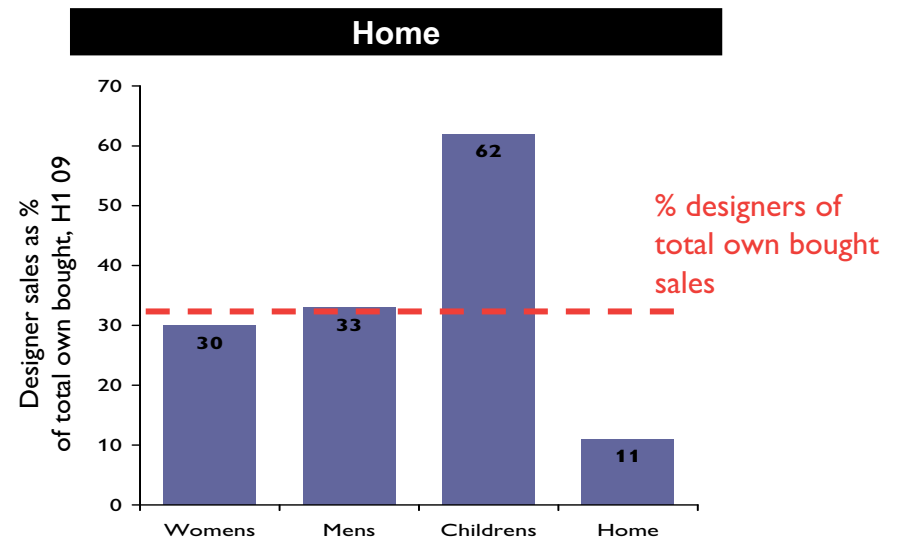
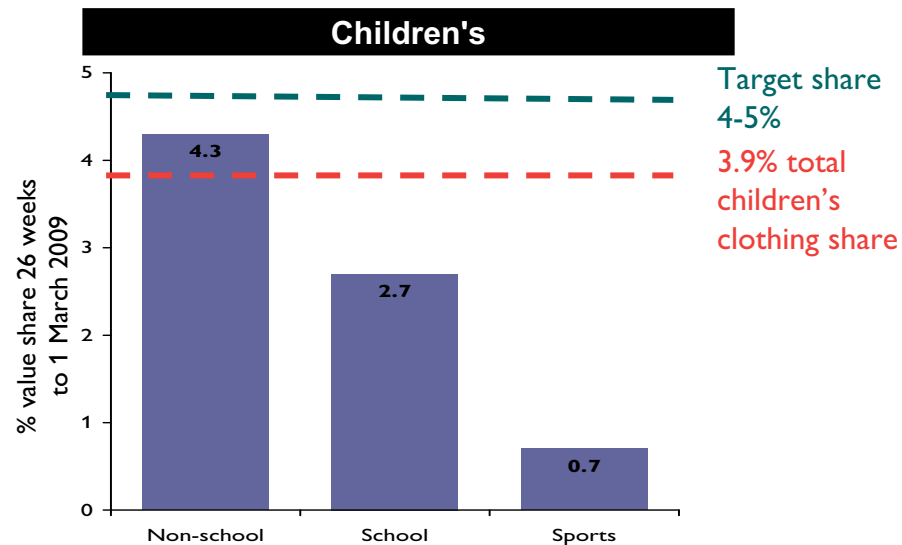
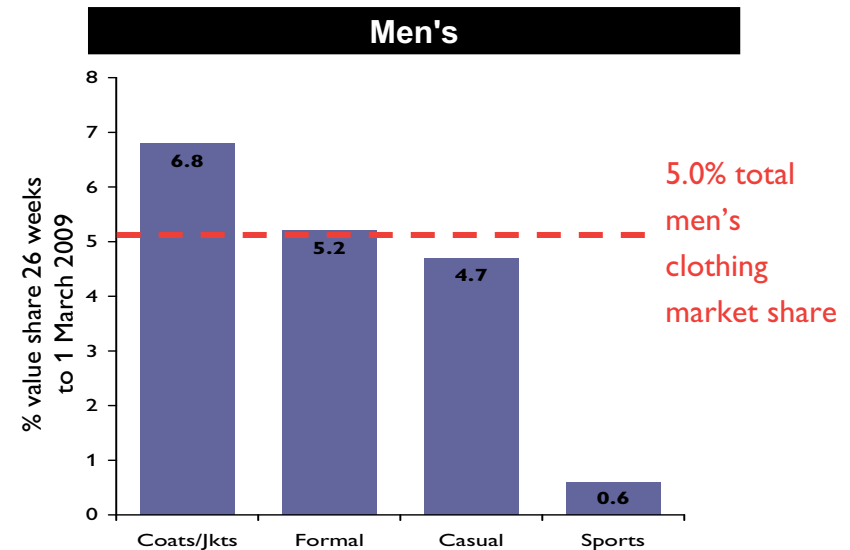
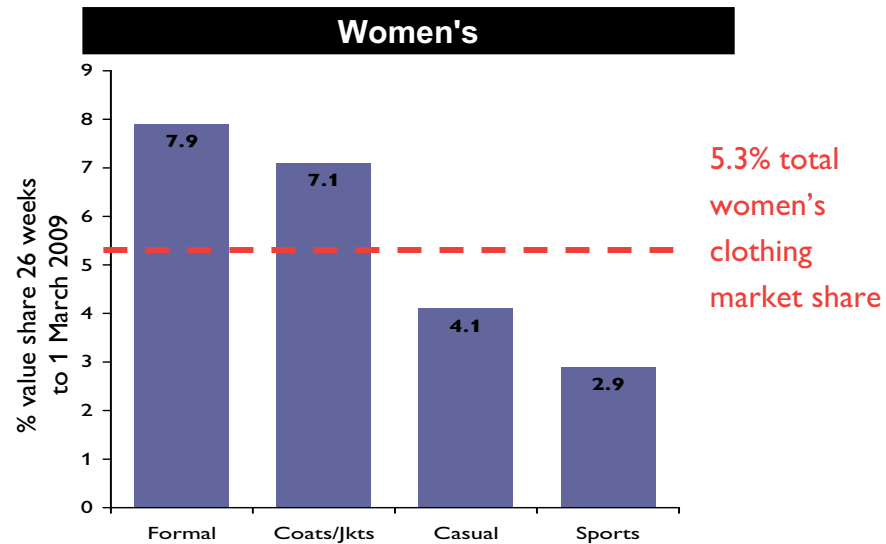
## Continuing to invest for future growth

- New stores
- International
- Multi-channels
- Strategic/opportunistic acquisitions



Swimwear SS09

# Product strategy: Opportunities for own bought growth

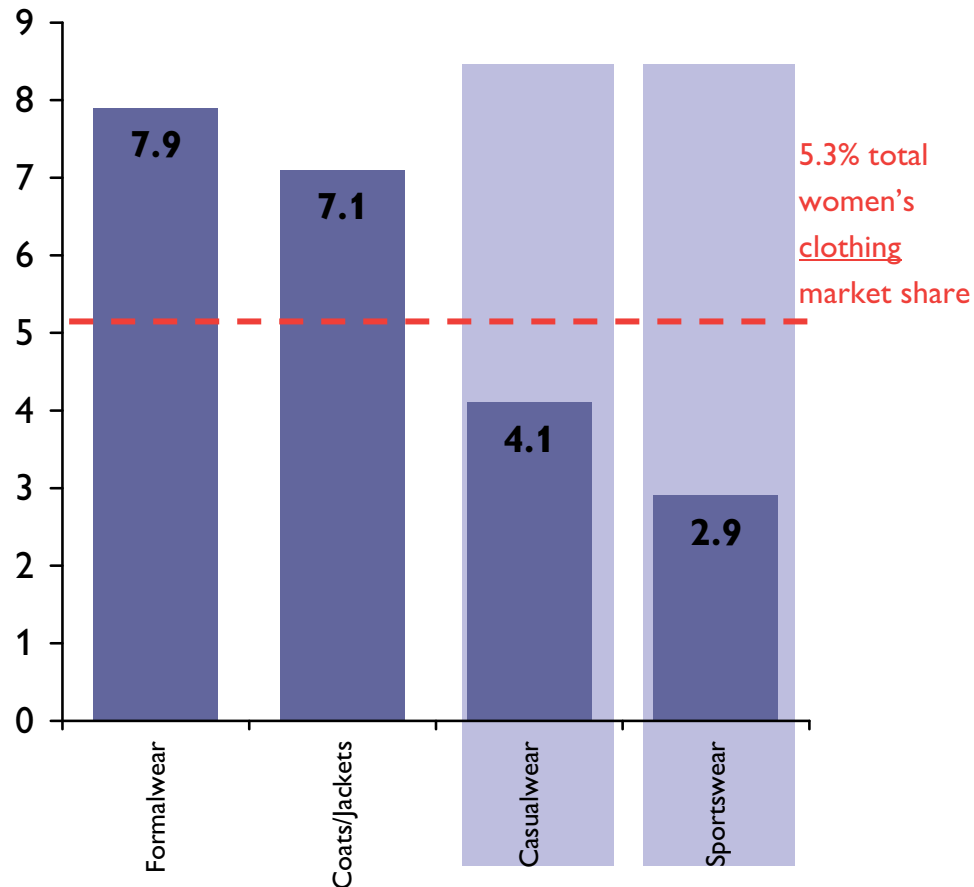


Source for market share charts: TNS Worldpanel Fashion 26 weeks market share data (to 1 March 2009 vs. 2008)

# Opportunities for own bought growth: women's

## Women's clothing market share by category (%)

% value share 26 weeks to 1 Mar 2009



## Initiatives

- Casualwear
  - Mantaray from September 2009
  - Butterfly by Matthew Williamson from September 2009
  - Ben de Lisi daywear from February 2010
- Sportswear
  - Launch sports and leisure division September 2009
- Other
  - Grow existing designer ranges (J by Jasper Conran, Betty Jackson Black, Star by Julien Macdonald)
  - Increase own bought mix of footwear

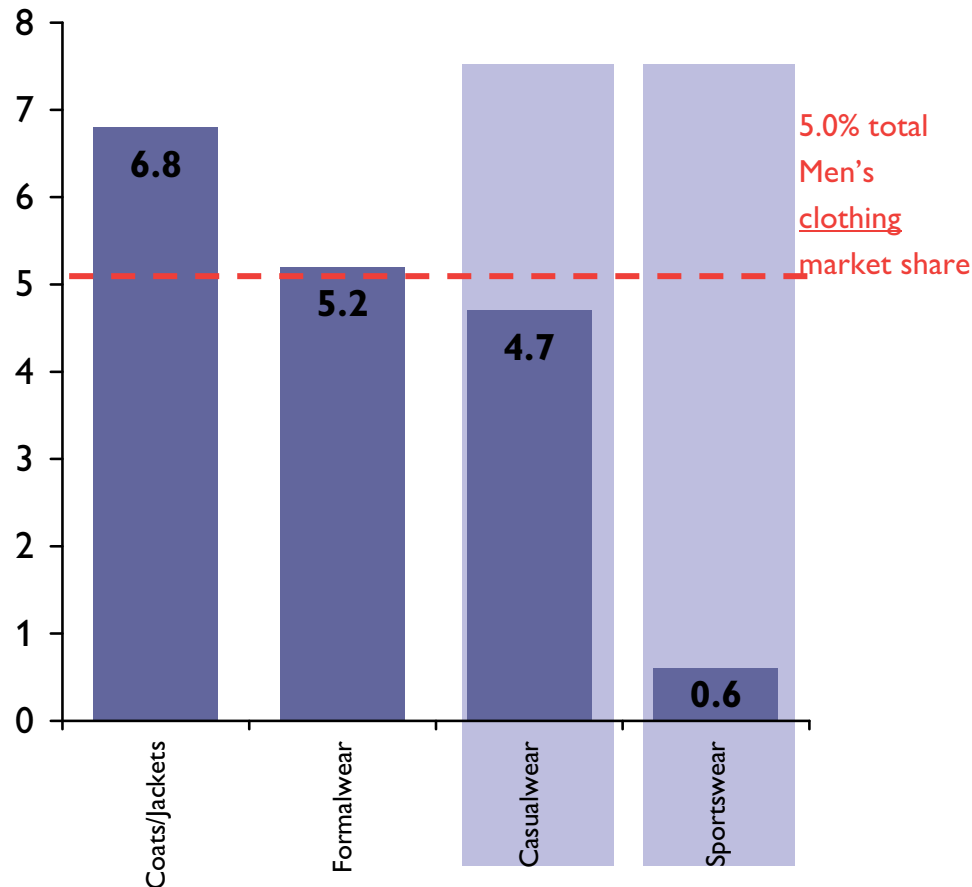
Source: TNS Worldpanel Fashion 26 weeks market share data (to 1 Mar 2009 vs. 2008). Women's clothing is a total of formalwear, casualwear, sportswear and coats and jackets. Accessories, Footwear and Underwear/nightwear are not included in this figure.



# Opportunities for own bought growth: men's

Men's clothing market share by category (%)

% value share 26 weeks to 1 Mar 2009



Initiatives

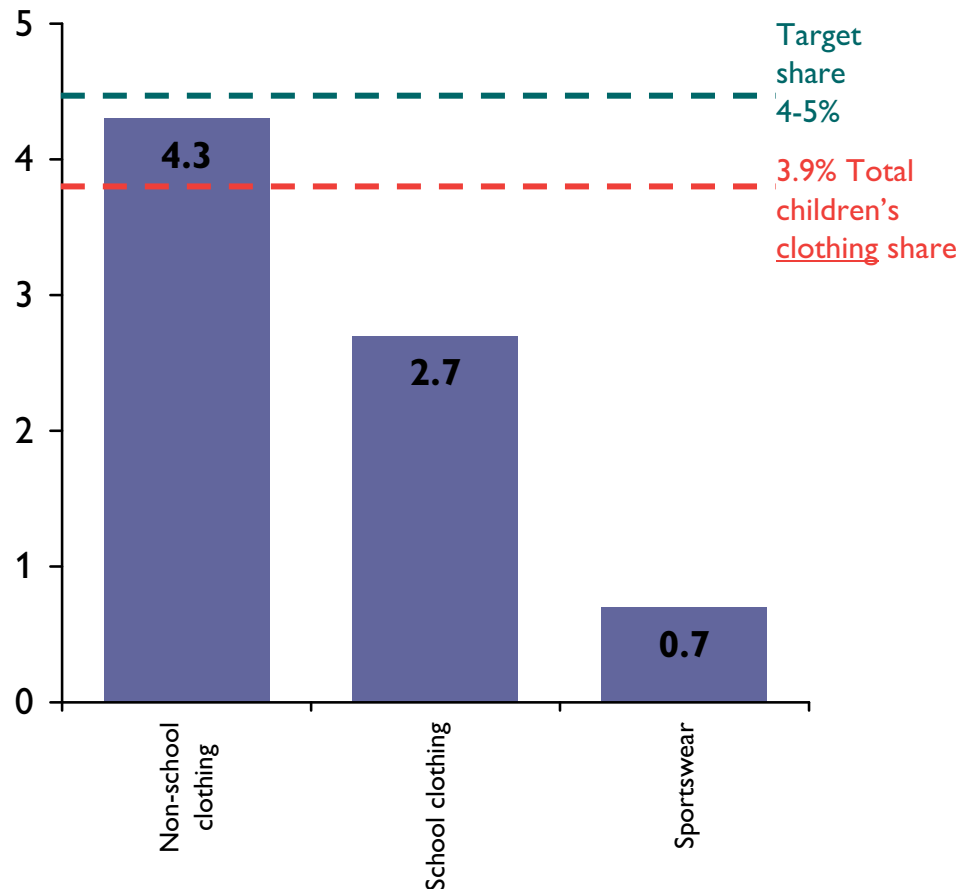
- Launch of differentiated sports and leisure division in September 2009 to grow leisure/sportswear share
- Grow designer and international brands
  - Jeff Banks
  - Levi's
  - Fred Perry
  - Jack & Jones

Source: TNS Worldpanel Fashion 26 weeks market share data (to 1 Mar 2009 vs. 2008). Men's clothing is a total of formalwear, casualwear, sportswear and coats and jackets. Accessories, Footwear and Underwear/nightwear are not included in this figure.

# Opportunities for own bought growth: children's

Children's clothing market share by category (%)

% value share 26 weeks to 1 Mar 2009



Initiatives

- Launch of new mid-market brand Bluezoo
- Launch of sports and leisure division in September 2009
- Rationalise age breaks
- Grow existing designers:
  - Baby Baker by Ted Baker launched spring 2009

Source: TNS Worldpanel Fashion 26 weeks market share data (to 1 Mar 2009 vs. 2008). Children's clothing is a total of non-school clothing, school clothing and sportswear. Accessories, footwear and underwear/nightwear are not included in this figure.

# London Fashion Week



# Introducing Matthew Williamson

- One of the UK's premier designers
- High profile celebrity clientele: Sienna Miller, Keira Knightley, Eva Longoria, Helena Christensen, Cheryl Cole.....
- Achievements consistently recognised: “Designer of the Year”, “Red Carpet Designer of the Year”, “Fashion Tribute”
- Matthew's signature: modern pieces which are colourful and intricately detailed to make the wearer feel special



Matthew Williamson with Sienna Miller

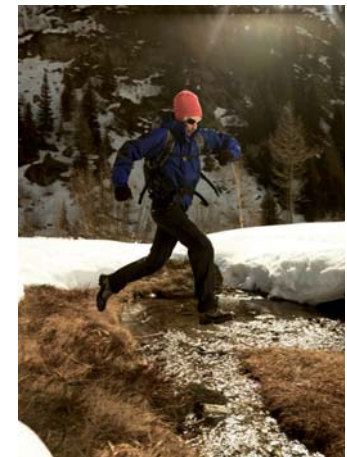
# Matthew Williamson mainline collection SS09





# Introducing sports and leisure

- Branded fashion and leisure clothing including footwear and accessories for women, men and children
- Strong female bias
- Launching in 41 stores in September 2009
- Replacing low sales/margin density home concessions



# Introducing Bluezoo

- Stylish everyday clothes at great value
- Modern, trend-led, affordable
- Age 0-12 years
- Creates clearer, uncluttered offer by rationalising 3 core brands into one bigger, better value and more visible offer
- Phased into stores in June and July, full launch in August



# Expanding Designers into Home

## “Focus on fashion for the Home”

- Planning for major growth, particularly in accessories, bed, bath and china
- Target 25% of total home sales over next 2 years
- Ben de Lisi Home launches August 2009 into 90 stores

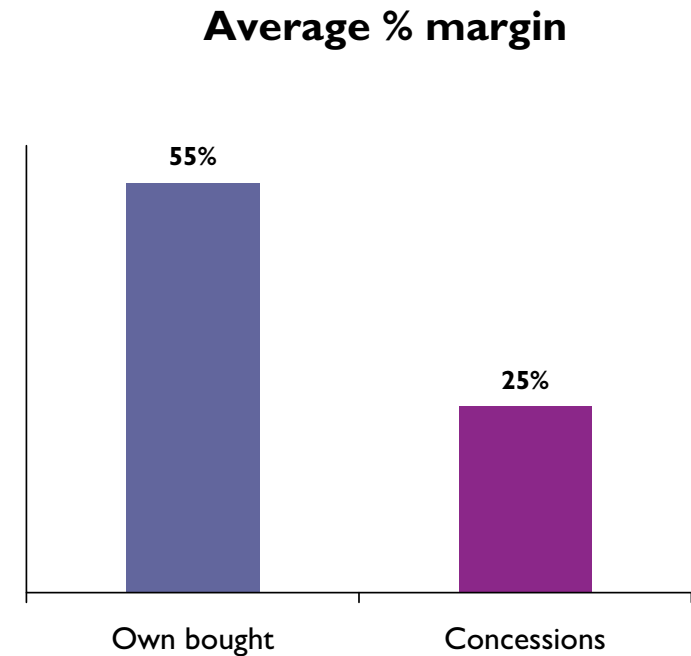
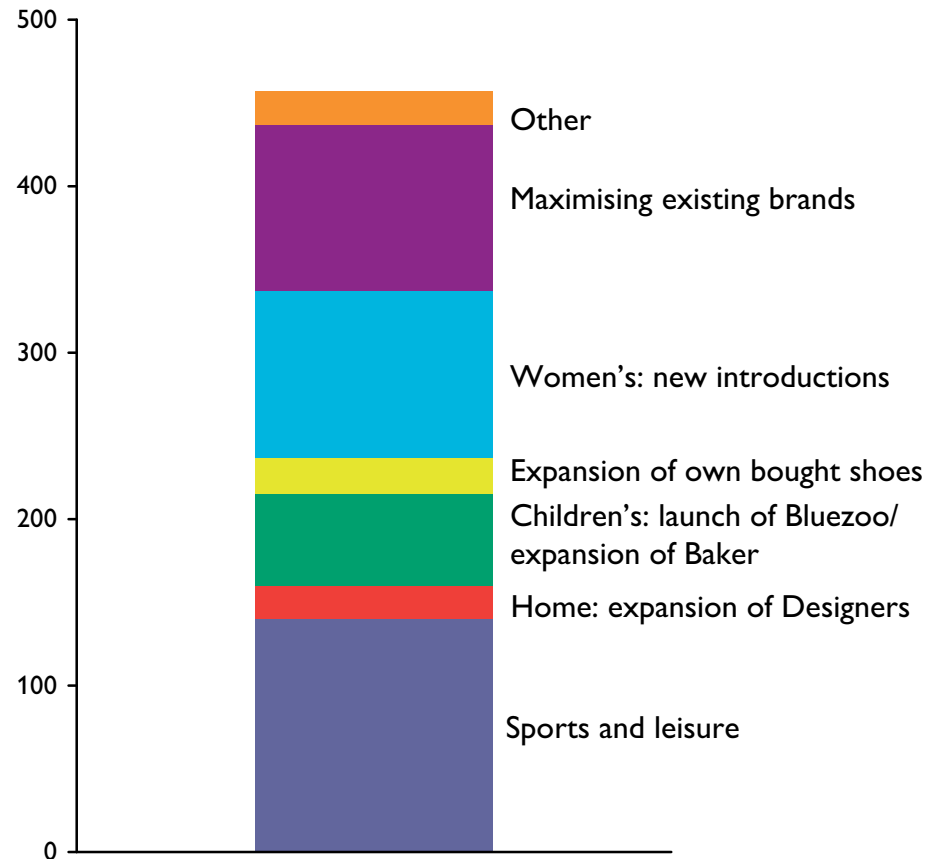


Ben de Lisi Home Collection



# Designers and own bought growth summary

- c450,000 sq ft being converted to own bought



- Lower sales densities more than offset by margin gain
- Small impact on working capital

# Improving concession performance

jane  
norman



oasis



- Concessions remain an integral part of product offer but they must:
  - be a strong partner in design, quality and brand appeal
  - bring a point of difference to our consumer offer

Miss Selfridge



wallis



# Marketing our offer

Playing to our design and value credentials

DEBENHAMS

DESIGN  
in every  
department

- ▶ Design
- ▶ Quality
- ▶ Functional
- ▶ Value
- ▶ Emotion

# Debenhams Beauty Club



- Beauty Club reward card launches 24 April as year-round campaign tool for all beauty and fragrance hall activity
- Beauty Club packages up services, exclusives and promotions as well as rewarding customers for their spend and behaviour in store
- Aim is to generate loyalty and incremental spend by
  - understanding current purchasing patterns
  - stretching spend via rewards, offers and treats/samples
  - engaging with customers via targeted communication
- 14 marketing opportunities

# Margin management



**Expect to see price rises across the high street**

# Priorities for next 12 months

## Product strategy

- Capitalise on success of own bought ranges
- Leverage Designers at Debenhams portfolio
- Improve concession performance

## Continuing to invest for future growth

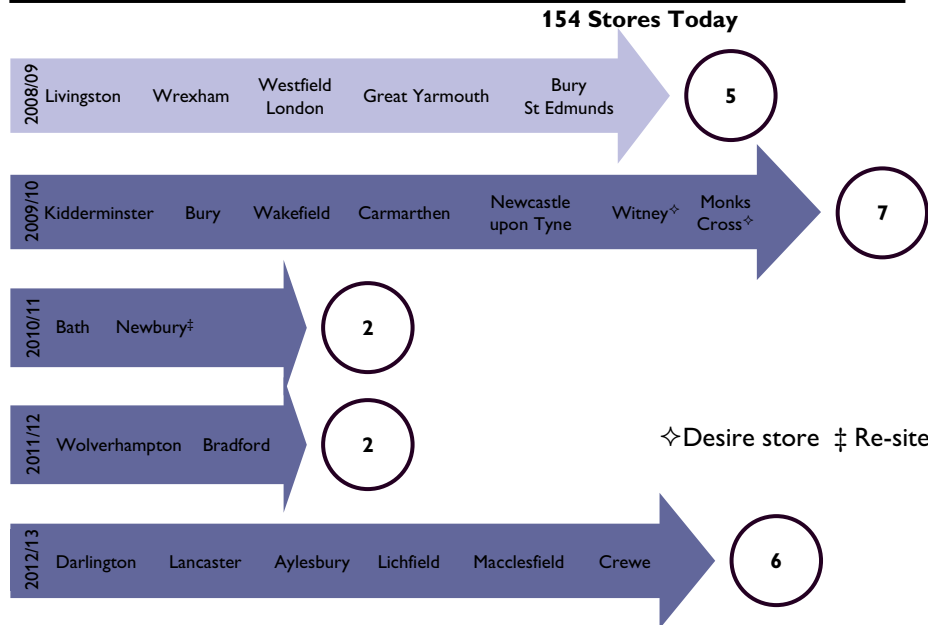
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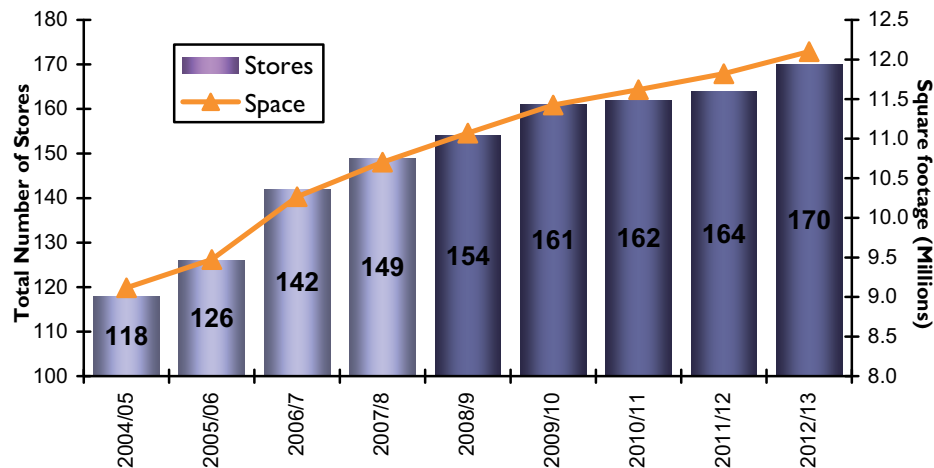
Swimwear SS09

# New stores

## New store pipeline



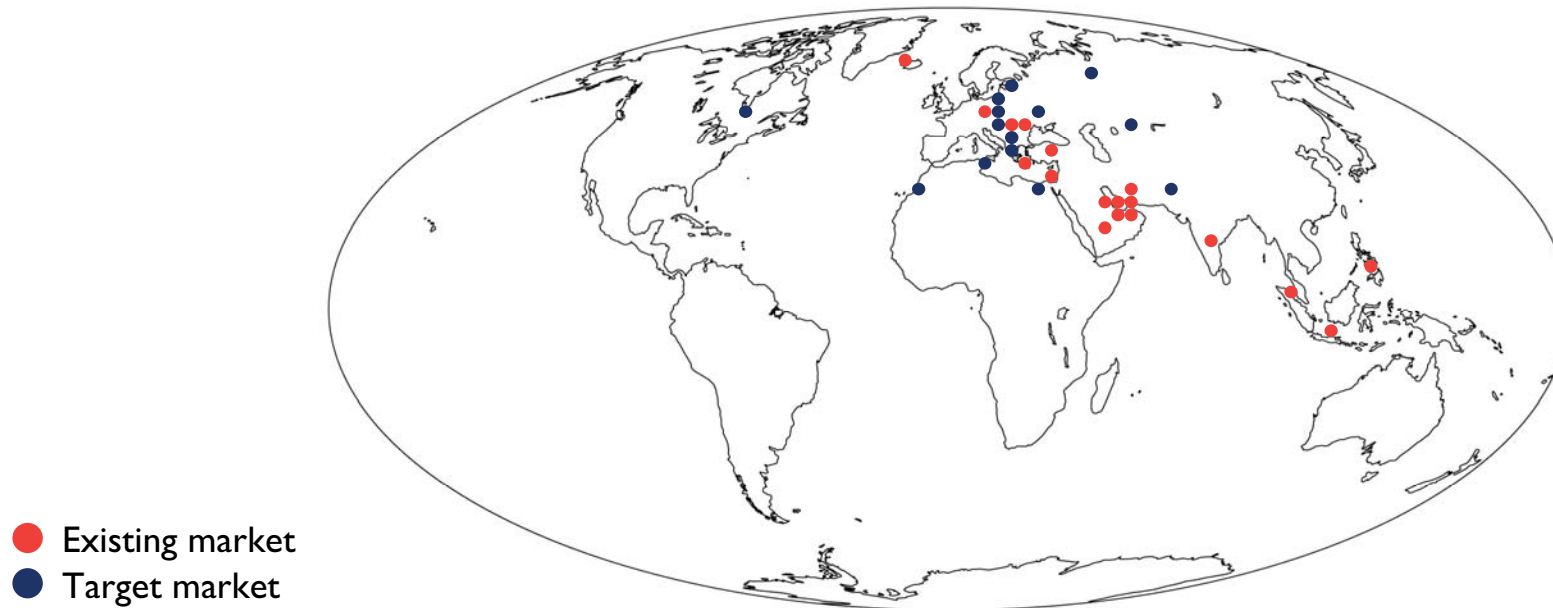
## Space growth



Bury St. Edmunds – opened March 2009



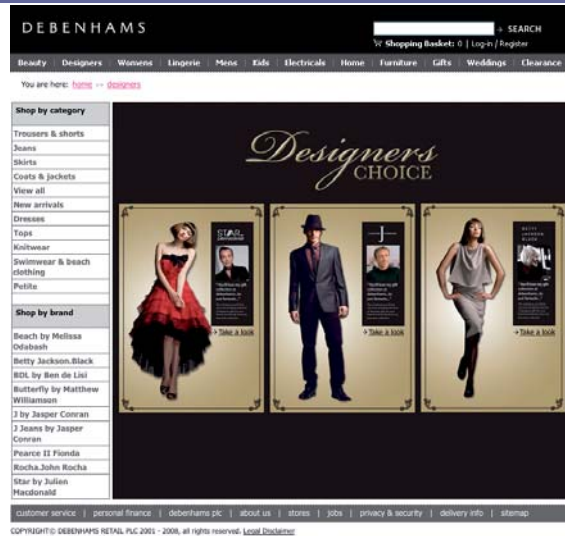
# International



- 49 stores in 18 countries at end of H1; total 1.6m sq ft
- H109 sales up 17% to £31.6m
- 8 stores opened in H1; India, Indonesia, Iran, Malaysia, Moldova, Romania (2), Saudi Arabia
- 3 stores opening in H2; Dubai, Romania, Saudi Arabia

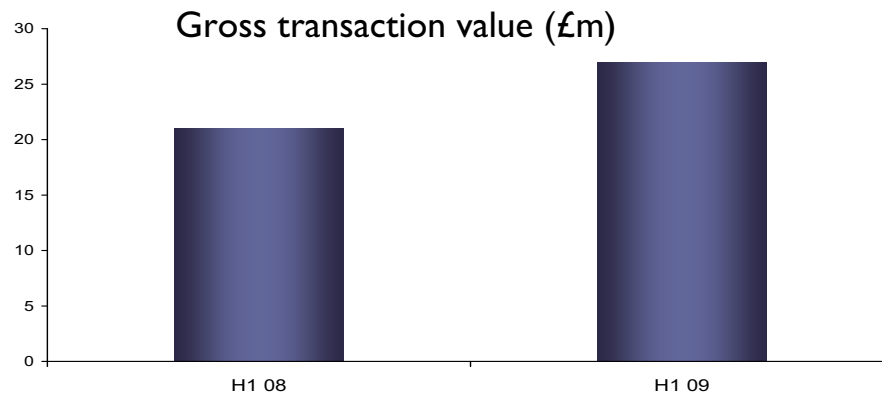


# Multi-channels: integrating in-store and online



## Debenhams Direct performance

- **H1 visitors up 39.1%**
- **H1 sales up 29.7%**



## Planned developments

- Click and collect
- Track and trace
- Premium delivery services
- In-store ordering
  - Customers order online from in-store terminal for home or store delivery
  - Improves availability and ranging for customers, turning small store into large store
  - Trials underway in 10 stores

# Strategic and opportunistic acquisitions

principles

*Strong brand loyalty but underperformance due to inconsistency of brand profile and pricing*



Principles SS09

- Rationale
  - Ensure continuity of sales
  - Arbitrage on margins and flexibility on pricing
  - Opportunistic margin gain
  - Accelerates own bought strategy
- Stock and asset acquisition
- Fixtures & fittings
- Funded from cash flow

# Current trading and outlook

- For 7 weeks to 18 April 2009
  - Gross transaction value up +6.1%
  - LFL up +1.9% excluding VAT
  - Gross margin up
- Positive start to second half but trading conditions expected to remain tough
- Continue to focus on cash margin

# Summary

- Strong first half performance
- Own bought growth at heart of strategy
- Market share gains continuing
- Exciting product launches in next 6-9 months to deliver additional market share
- Continuing to invest for future growth
- Good start to second half



# Appendix

# Debt fundamentals

- Term loan plus £250m revolving credit facility
- 5 year facility to April 2011
- Amortisation payments
  - £100m May 2009 (cash already on deposit)
  - £150m May 2010
- Latest average cost of debt including hedging of 4.82%