

# Debenhams plc

Full Year Results

2008/09

DEBENHAMS

DESIGN  
in every  
department

# Chris Woodhouse

## Finance Director

# Results highlights

Gross transaction value	+0.2%
Like-for-like sales	-3.6%
Gross margin %	+70bps
Profit before tax <sup>(a)</sup>	£125.2m
Net debt	£590.3m
Basic earnings per share growth <sup>(b)</sup>	+11.1%

<sup>(a)</sup> After adding back £4.4m of amortisation on capitalised bank fees

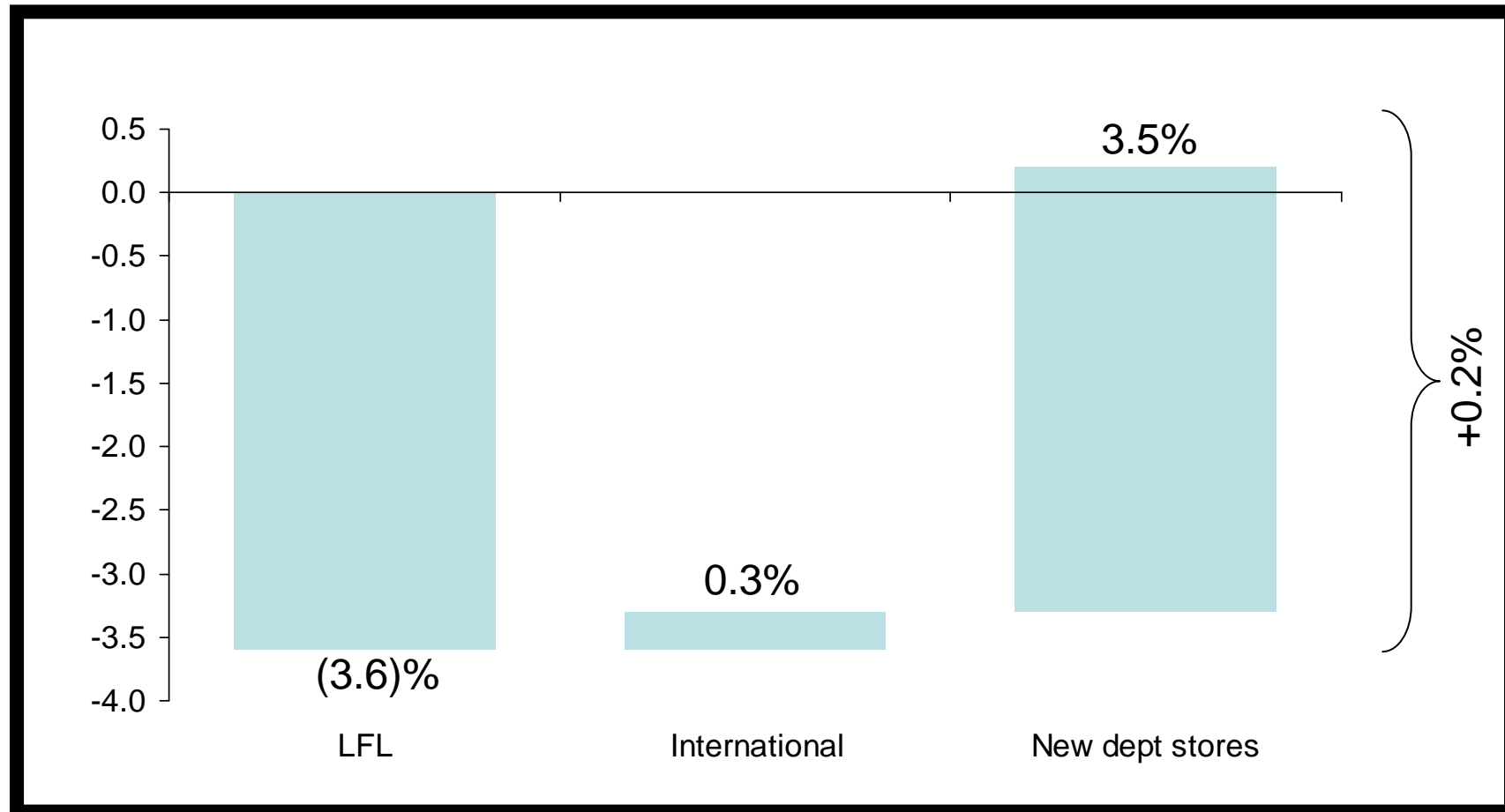
<sup>(b)</sup> Based on weighted average number of shares in issue for each year

# Trading results 2009

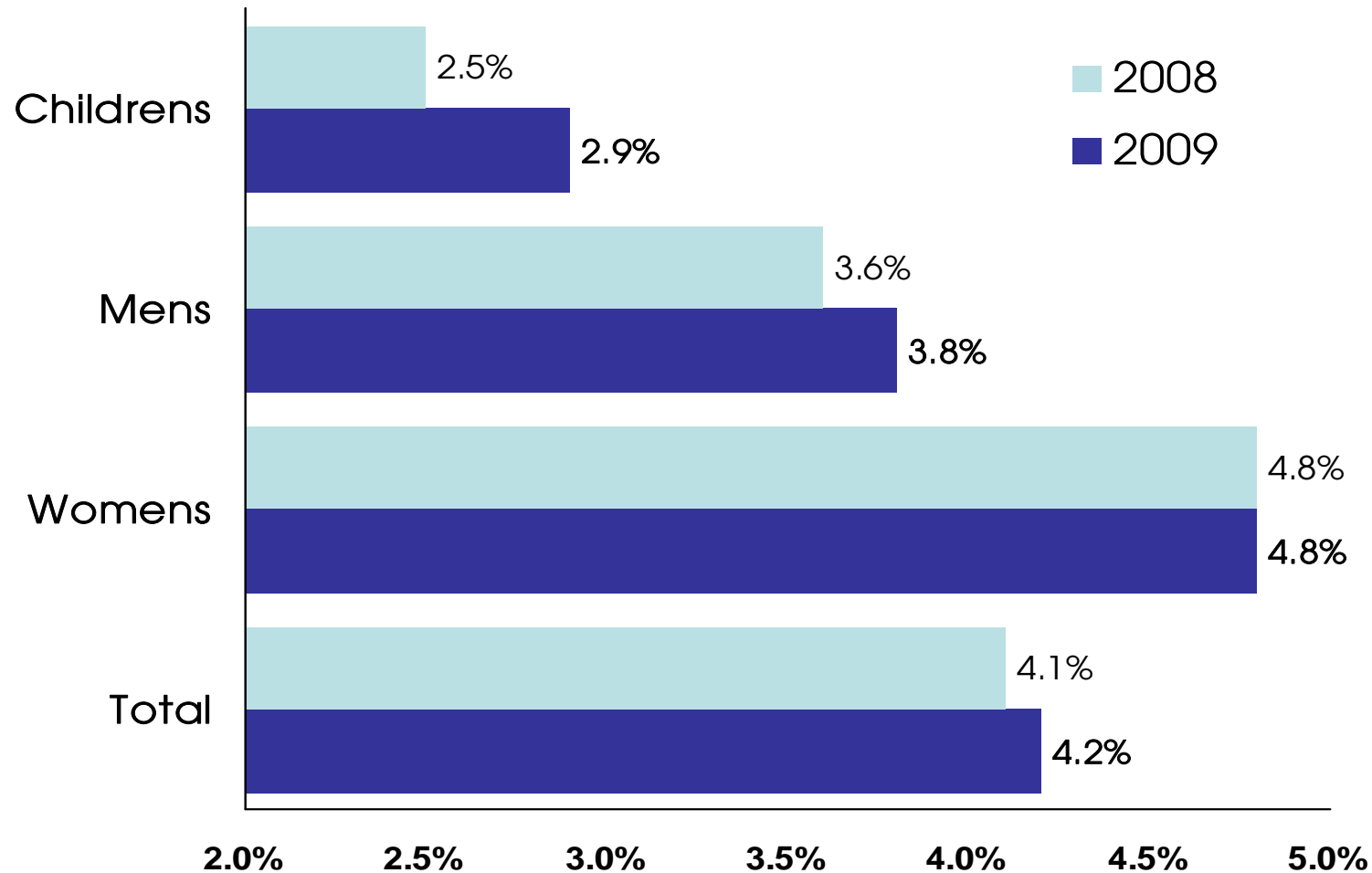
£m	FY09	FY08	% change
Gross transaction value	2,339.7	2,336.0	0.2%
EBITDA	278.5	268.8	3.6%
Operating profit	182.2	176.1	3.5%
Interest	(61.4)	(70.2)	
Profit before tax	120.8	105.9	14.1%
Taxation	(25.7)	(28.8)	
Profit after tax	95.1	77.1	23.3%
Proforma earnings per share <sup>(a)</sup>	7.4p	6.0p	23.3%

<sup>(a)</sup> Based on total number of shares in issue as at 29 August 2009 for both years

# Sales growth 2009

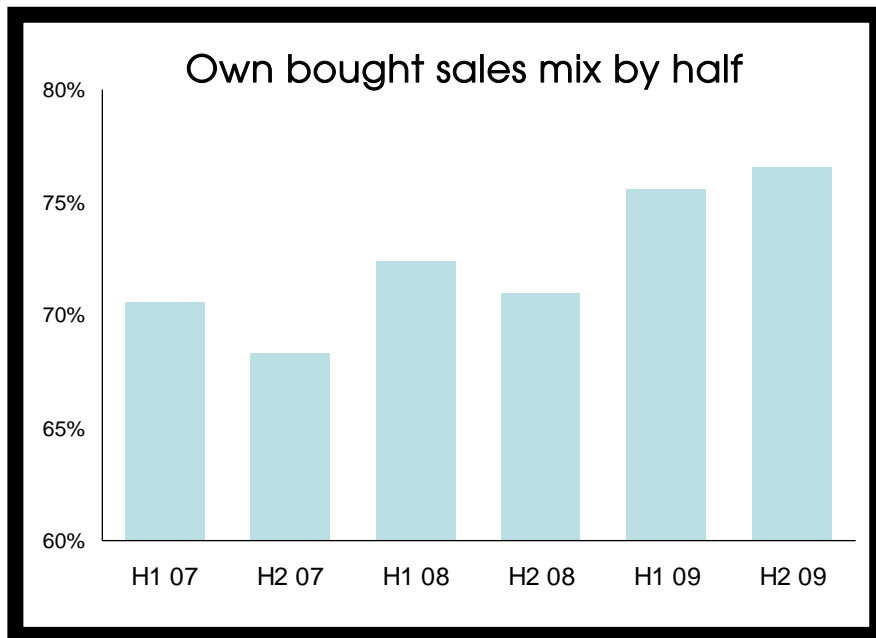
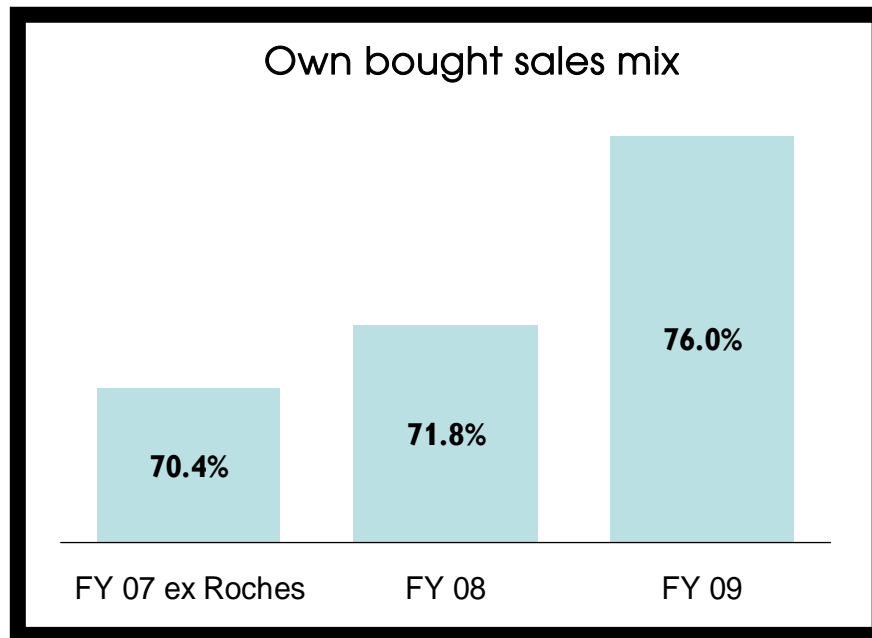


# Clothing market share



# Gross margin improvement

- Gross margin up 70bps
- Move product mix towards higher margin own bought lines
- Principles stock acquisition
- Hedge to minimise currency impact



# Margin guidance FY10

## Assumptions

- |                                 |      |
|---------------------------------|------|
| • Own bought (OB) space shift   | 4.8% |
| • Planned density loss          | 30%  |
| • Net OB over concession margin | 25%  |

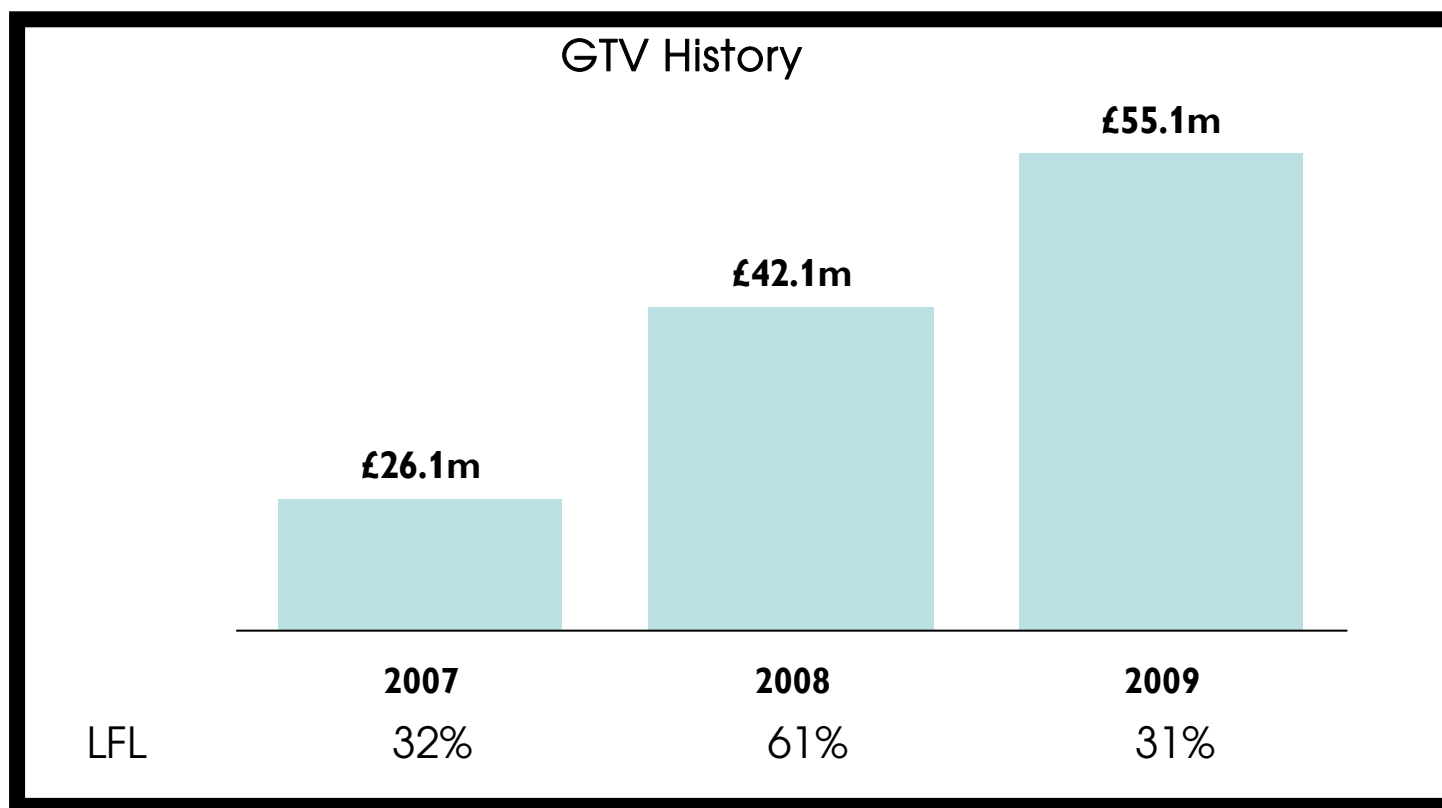
## Outputs

- |                                    |                  |
|------------------------------------|------------------|
| • Theoretical increase from OB mix | +85bps           |
| • Principles margin in FY09        | -15bps           |
| • Impact of dollar rate movement   | -15bps           |
| • Overall margin movement          | <u>+50-60bps</u> |



# Direct highlights

Gross transaction value	£55.1m
Sales growth	+31%
EBITDA	+133%



# International highlights

Gross transaction value

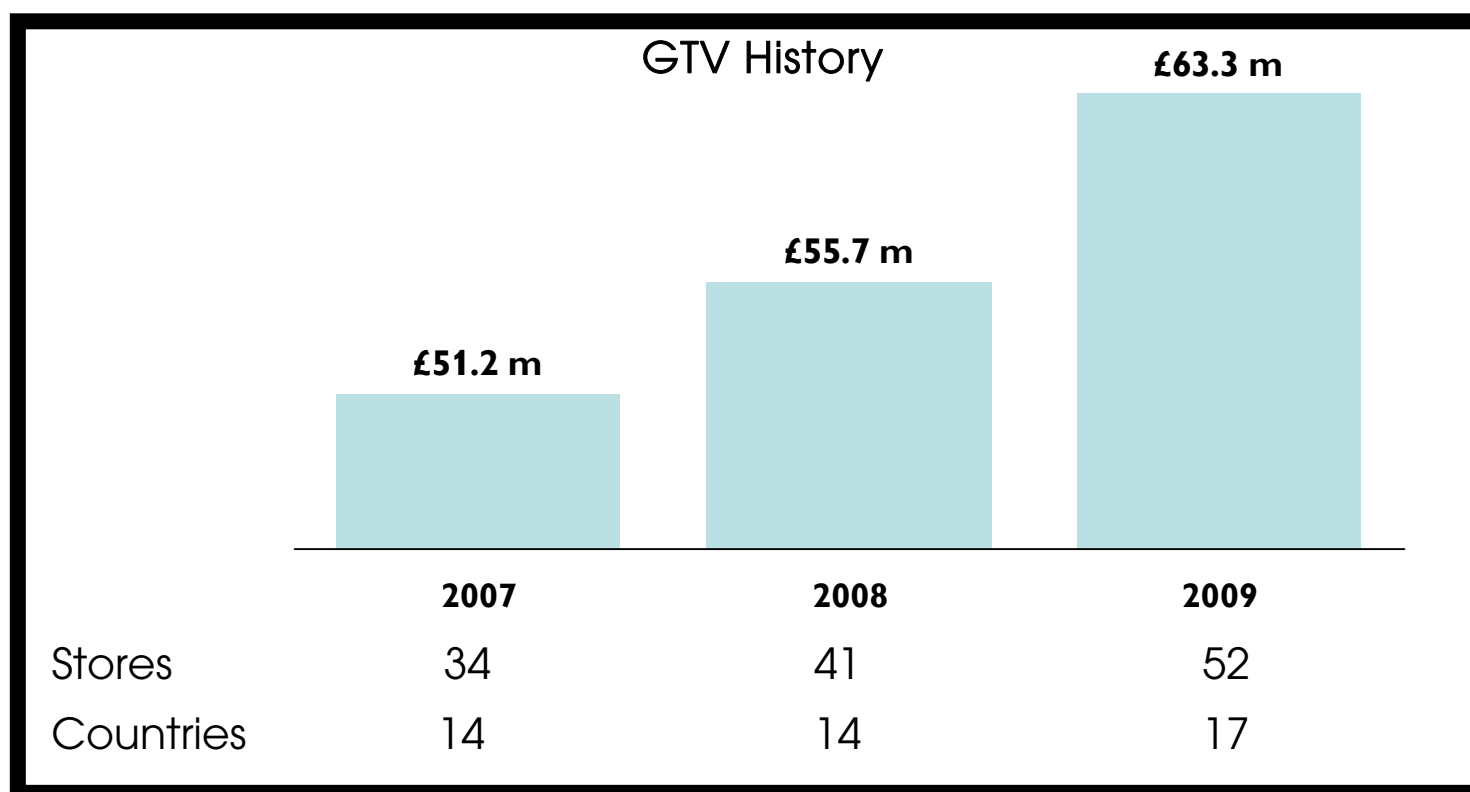
£63.3m

Sales growth

+14%

EBITDA

+22%



# Store costs

£m

FY 09

FY 08

Payroll

258.2

248.9

*% to GTV*

11.0%

10.7%

Store rent UK GAAP

139.9

130.5

IFRS adjustment

14.5

14.1

Total store rent

154.4

144.6

*% to GTV*

6.6%

6.2%

Energy

30.0

26.5

*% to GTV*

1.3%

1.1%

DEBENHAMS

DESIGN

11

in every department

# Warehouse and distribution

£m	<u>FY 09</u>	<u>FY 08</u>	<u>Change</u>
Labour	14.7	19.7	(5.0)
Property	12.3	11.5	0.8
Transport	18.3	18.8	(0.5)
Total distribution	<u>45.3</u>	<u>50.0</u>	<u>(4.7)</u>
% to GTV	1.9%	2.1%	(0.2)%

# Store portfolio: 2009

		<u>Sq Ft.(k)</u>	<u>Dept Stores</u>	<u>Desires</u>	<u>Total</u>
2008 Close		10,711	139	10	149
<u>Dept store openings</u>					
	•Westfield London	109	1		
	•Wrexham	60	1		
	•Great Yarmouth	20	1		
	•Livingston	60	1		
	•Bury St Edmunds	59	1		
	•Cardiff extension*	27	-		
2009 Close		<u>11,046</u>	<u>144</u>	<u>10</u>	<u>154</u>

\*Additional space from extension

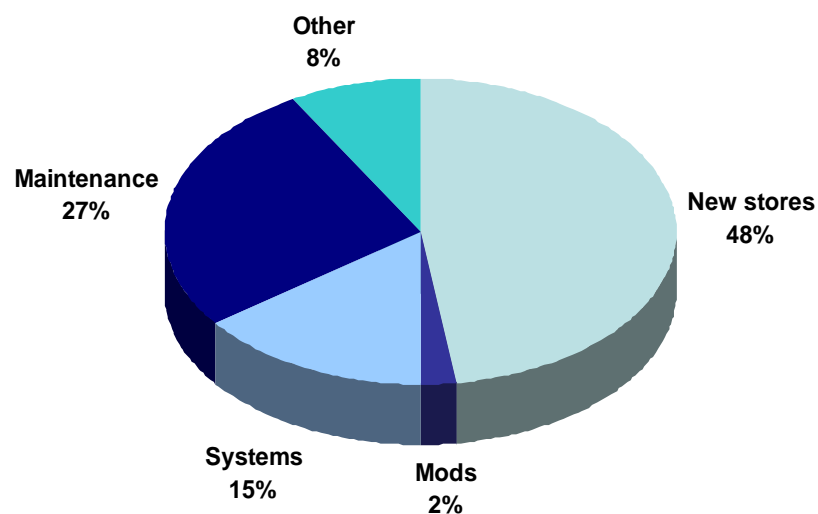
# Store portfolio: 2010

	<u>Sq Ft (k)</u>	<u>Dept Stores</u>	<u>Desires</u>	<u>Total</u>
2009 Close	11,046	144	10	154
<u>Dept store openings</u>				
• Newcastle-upon-Tyne	125	1		
• Bury (Manchester)	70	1		
• Carmarthen	60	1		
<u>Desire by Debenhams store openings</u>				
• Kidderminster	20		1	
• Monks Cross	14		1	
• Witney	14		1	
2010 Close	<u>11,349</u>	<u>147</u>	<u>13</u>	<u>160</u>

# Capital expenditure

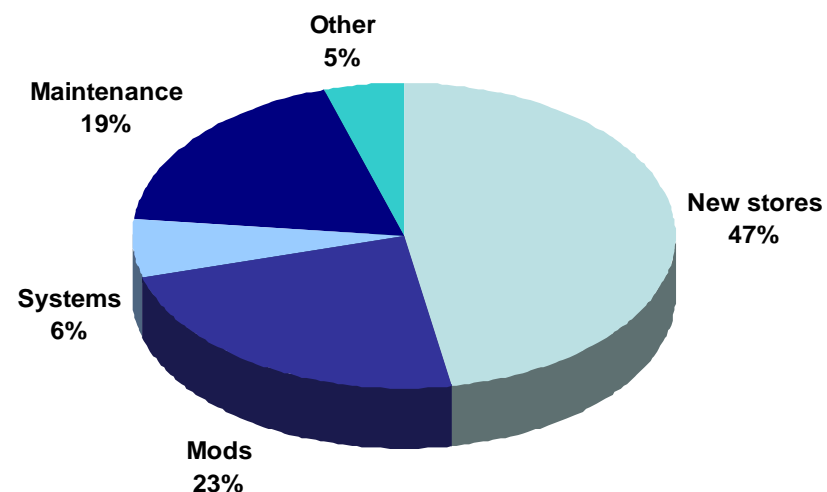
FY 09

£85m



FY 08

£129m



FY 10 guidance : c£90-95m

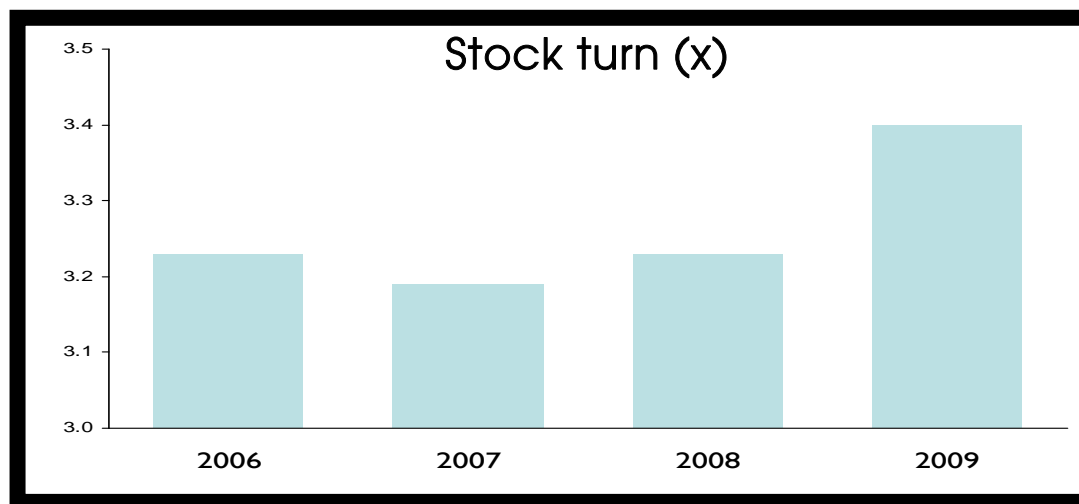
# Balance sheet: highlights

£m	2009	2008	Movement
Non-current assets	1,599	1,636	<i>(37)</i>
Stock	271	238	<i>33</i>
Other working capital	(390)	(412)	<i>22</i>
Net debt	(590)	(994)	<i>404</i>
Liabilities and charges	(465)	(343)	<i>(122)</i>
Shareholders' funds	425	125	<i>300</i>
Fixed charge cover	2.2x	2.2x	
Net debt / EBITDA	2.1x	3.6x	



# Balance sheet: stock

Headline increase	+14.1%
New stores	3.4%
Increase in LFL own bought space	10.0%
Cost price increases	2.0%
Earlier intake of A/W10 stock	3.8%
Density reduction	(5.1)%
Terminal Stock	2.7%



# Operating cash flow

£m	FY 09	FY 08
Reported operating profit	182.2	176.1
Depreciation <sup>(a)</sup>	88.2	85.2
Amortisation	8.1	7.5
EBITDA	<u>278.5</u>	<u>268.8</u>
Working capital	(37.5)	17.0
Capital expenditure <sup>(b)</sup>	(84.5)	(125.6)
Operating cash flow before financing, interest and taxation	<u>156.5</u>	<u>160.2</u>
Net debt	<u>£590m</u>	<u>£994m</u>

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

<sup>(b)</sup> Capital expenditure includes proceeds from sale of fixed assets

# Cost guidance

2009/10

- Store payroll 0.5% inflation LFL
- Rent 2.5% inflation LFL
- Energy 14.0% deflation LFL
- Warehouse & distribution % to sell broadly maintained
- Other costs % to sell deterioration of 0.5ppts
- Taxation headline rate 28.5%
- Interest

	£m
Reported	52
Non-cash fees written off	(5)
	<u>47</u>

# Financial summary 2009

GTV up	+0.2%
Market share gains	+10bps
Gross margin up	+70bps
Profit after tax up	+23.3%
Net debt down	£403.7m

# Rob Templeman

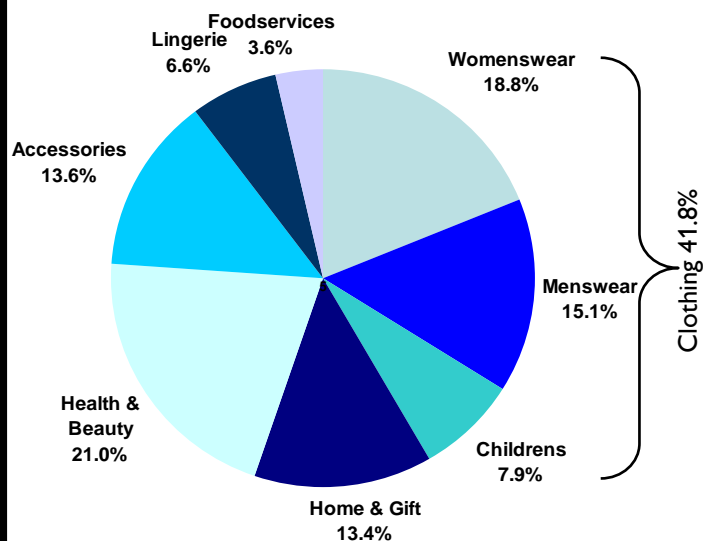
## Chief Executive

# 2009 highlights

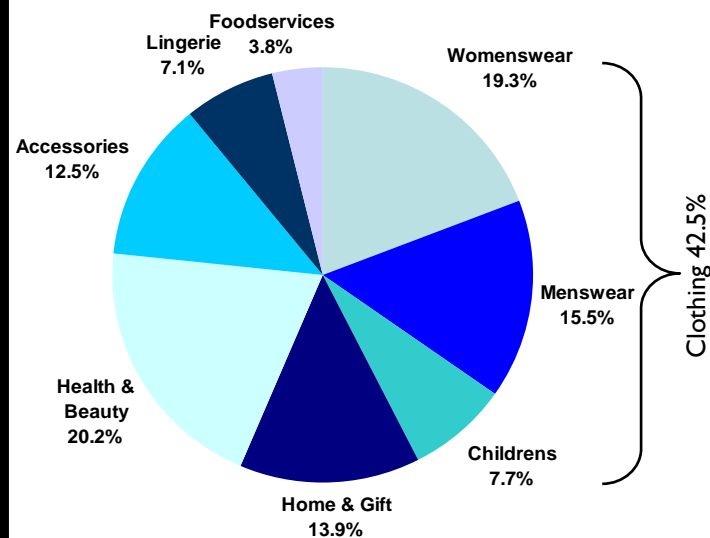
- Upper quartile performance in terms of sales, profits and market share
- Strong sales contribution from own bought ranges, particularly Designers at Debenhams
- Largest space move in Debenhams' history now completed

# Product participation

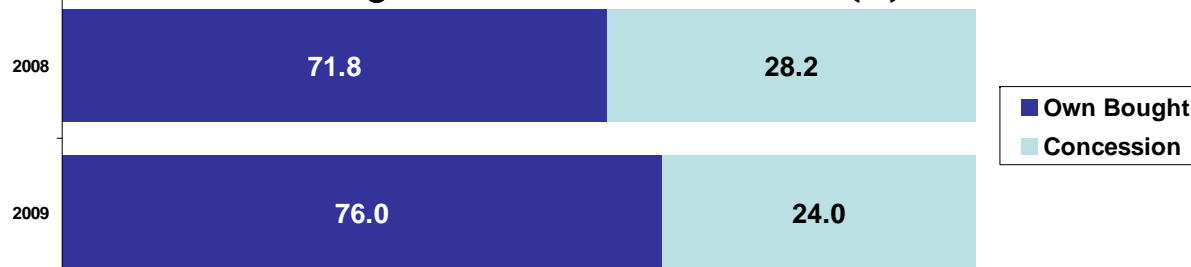
Own bought sales by category 2009



Own bought sales by category 2008

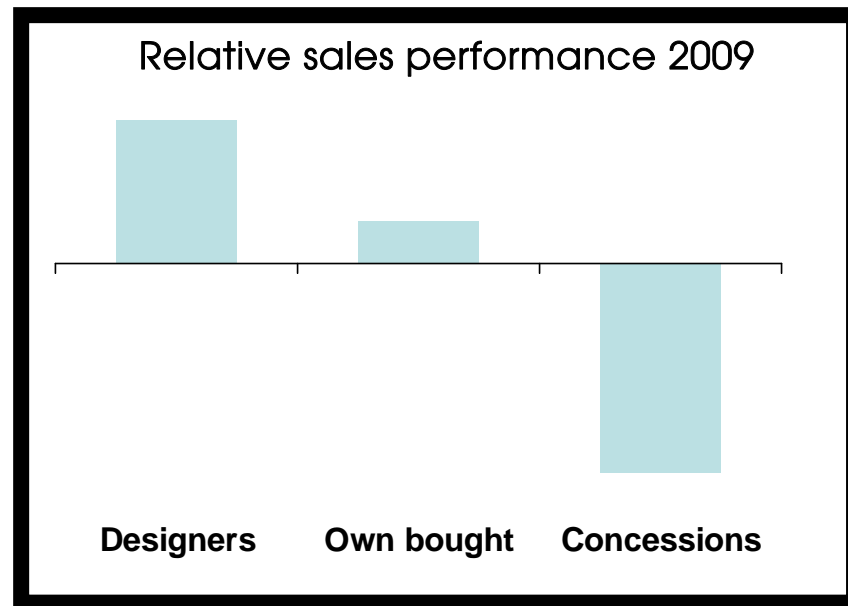


Own bought/concession sales mix (%)



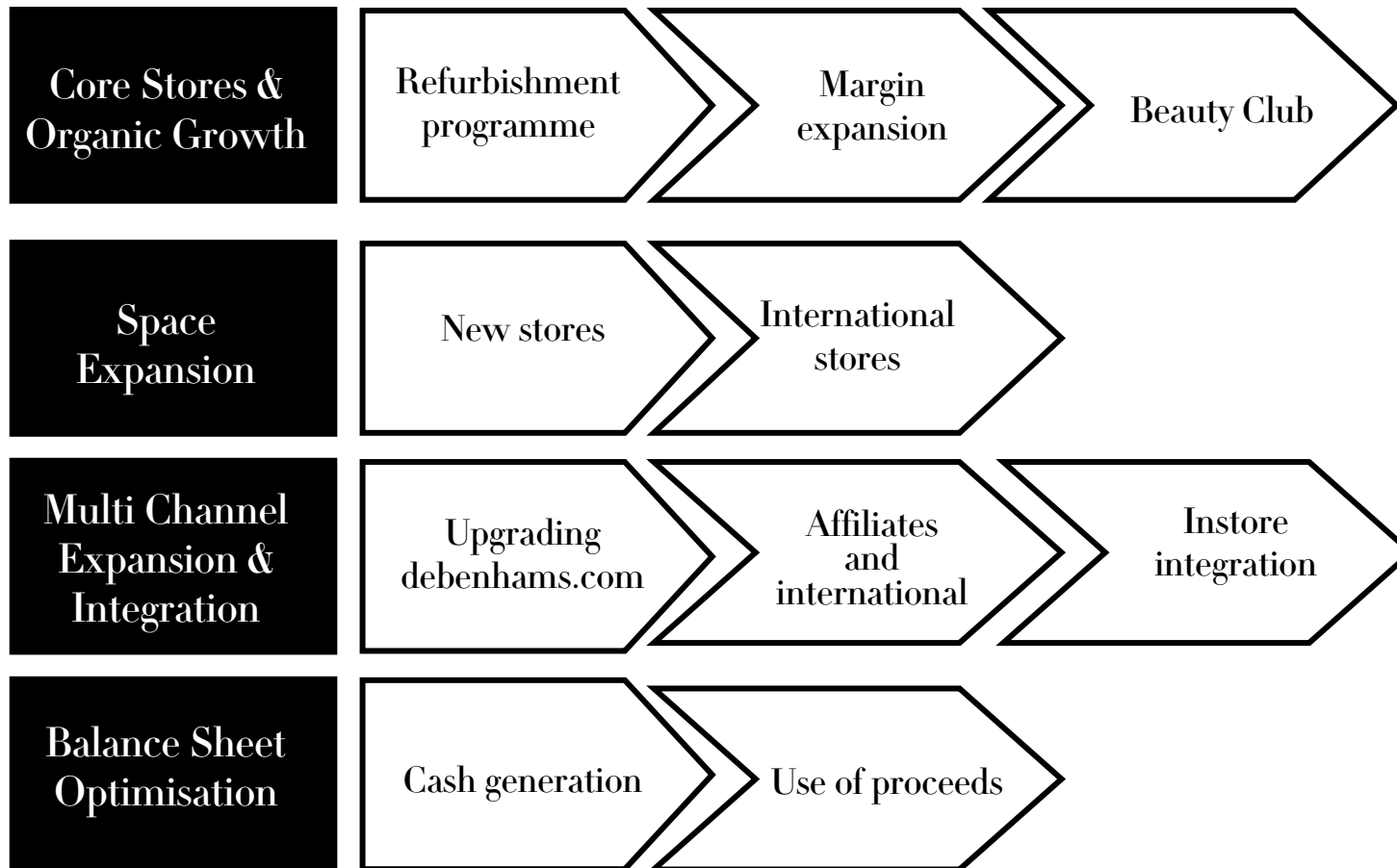
# Market share gains through product differentiation and design

- Market share gains across the year
- Growth driven by Designers at Debenhams, own bought ranges
- Style, fashion, design and value key to growth
- New visual displays introduced across key brands





# Priorities for 2010



# Refurbishing core stores

- c40 core stores
- Refurbishment programme to recommence in H2 2010
  - Start with high turnover stores in large towns eg Glasgow, Manchester
  - Full refit: cost £20-25/sq ft
- Strong returns generated from refits historically
- Sales uplift after refurbishment historically c5%
- Expect sales disruption of 3-5% during refurbishment period

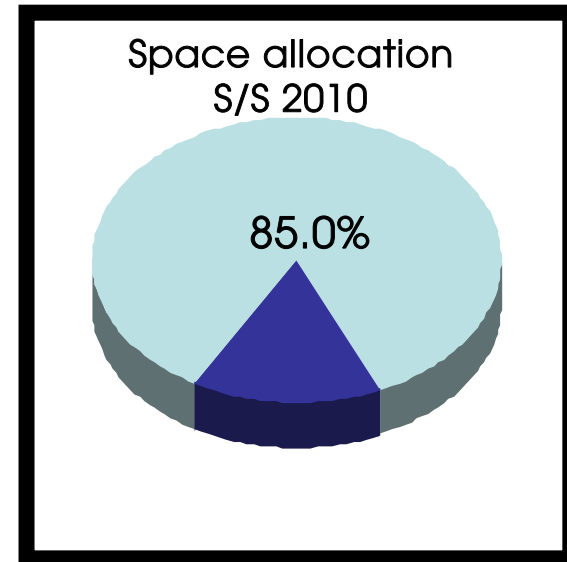
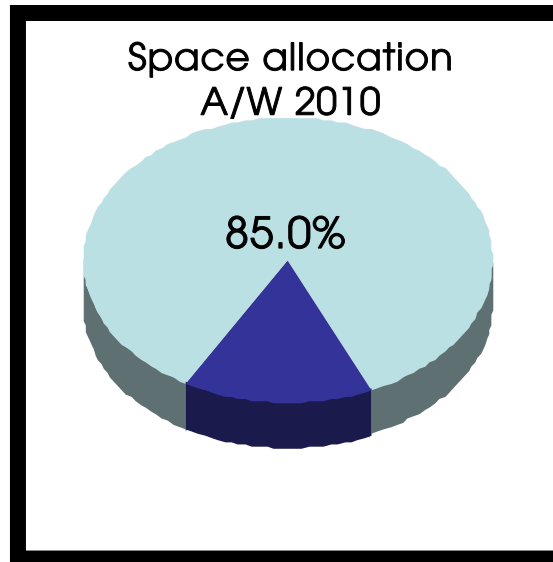
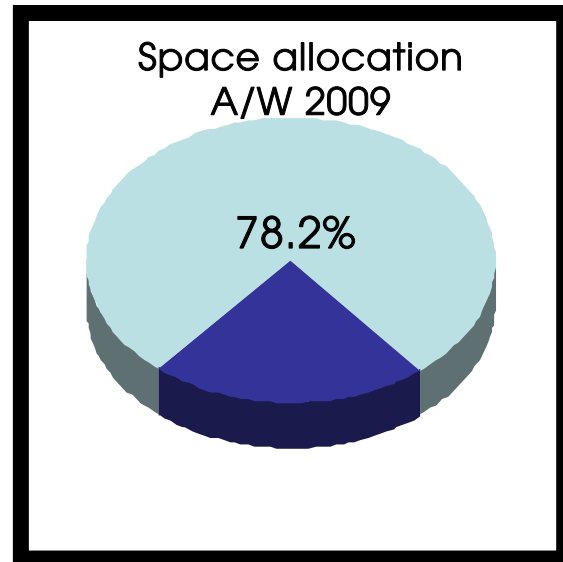


# Brand refurbishments

- Programme to refurbish whole brands throughout the chain to continue
- 2009: Star by Julien Macdonald, J by Jasper Conran, Collection
- 2010: Red Herring, Jeff Banks



# Focus on cash margin through own bought expansion



## New launches

- Matthew Williamson
- Women's Mantaray
- Bluezoo kids
- Ben de Lisi home
- Sports & leisure

## New launches

- Principles by Ben de Lisi
- Henry Holland
- Matthew Williamson home

DEBENHAMS DESIGN  
28 in every department

Core Stores &  
Organic  
Growth

Refurbishment  
programme

Margin  
expansion

Beauty Club

# Own bought expansion 2009

Mantaray



Butterfly by Matthew Williamson



DEBENHAMS DESIGN  
29 in every department

Core Stores &  
Organic  
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Refurbishment  
programme

Margin  
expansion

Beauty Club



# Own bought expansion 2009

Bluezoo



Baby Baker by Ted Baker



DEBENHAMS DESIGN  
30 in every department

Core Stores &  
Organic  
Growth

Refurbishment  
programme

Margin  
expansion

Beauty Club

# Own bought expansion 2009

Sports and Leisure



Ben de Lisi Home



DEBENHAMS DESIGN  
31 in every department

Core Stores &  
Organic  
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programme

Margin  
expansion

Beauty Club

# Own bought expansion 2010: Principles by Ben de Lisi

- Strong and well-recognised brand now owned exclusively by Debenhams
- Total Principles sales: £140m
- Loyal but disaffected customer base
- Timeless, modern tailoring and understated separates and occasionwear that effortlessly take customers from day to evening
- Target age: 35 – 55
- Launching 120 stores in Spring 2010
- Opportunity to leverage brand with our international partners





# Own bought expansion 2010: H! by Henry Holland

- “One of London’s most celebrated designers whose shows are an indelible date on the fashion calendar.”
- Introducing young fashion into Debenhams for first time
- 17-25 target age
- Launching in 64 stores in Spring 2010



DEBENHAMS DESIGN  
33 in every department

Core Stores &  
Organic  
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expansion

Beauty Club

# Beauty Club

- Launched in April 2009
- 1.4 million cards issued
- Differentiation through points plus VIP treats
- Data capture for marketing
- Online availability launching 2010
- Targeted email/electronic communication programmes focusing on retention and growth of Beauty Club customer base and sales

# New stores



- 6 stores FY2010
  - 3 department stores
  - 3 Desire by Debenhams stores
- 2 stores FY2011
- Some developments have been delayed in later years
- Opportunity to expand Desire

DEBENHAMS DESIGN  
35 in every department

Space  
Expansion

New stores

International  
stores

# International stores



- 52 stores open in 17 countries at year end
- 5 stores planned for 2010 including 3 new markets
- 6 stores planned for 2011 including 2 new markets

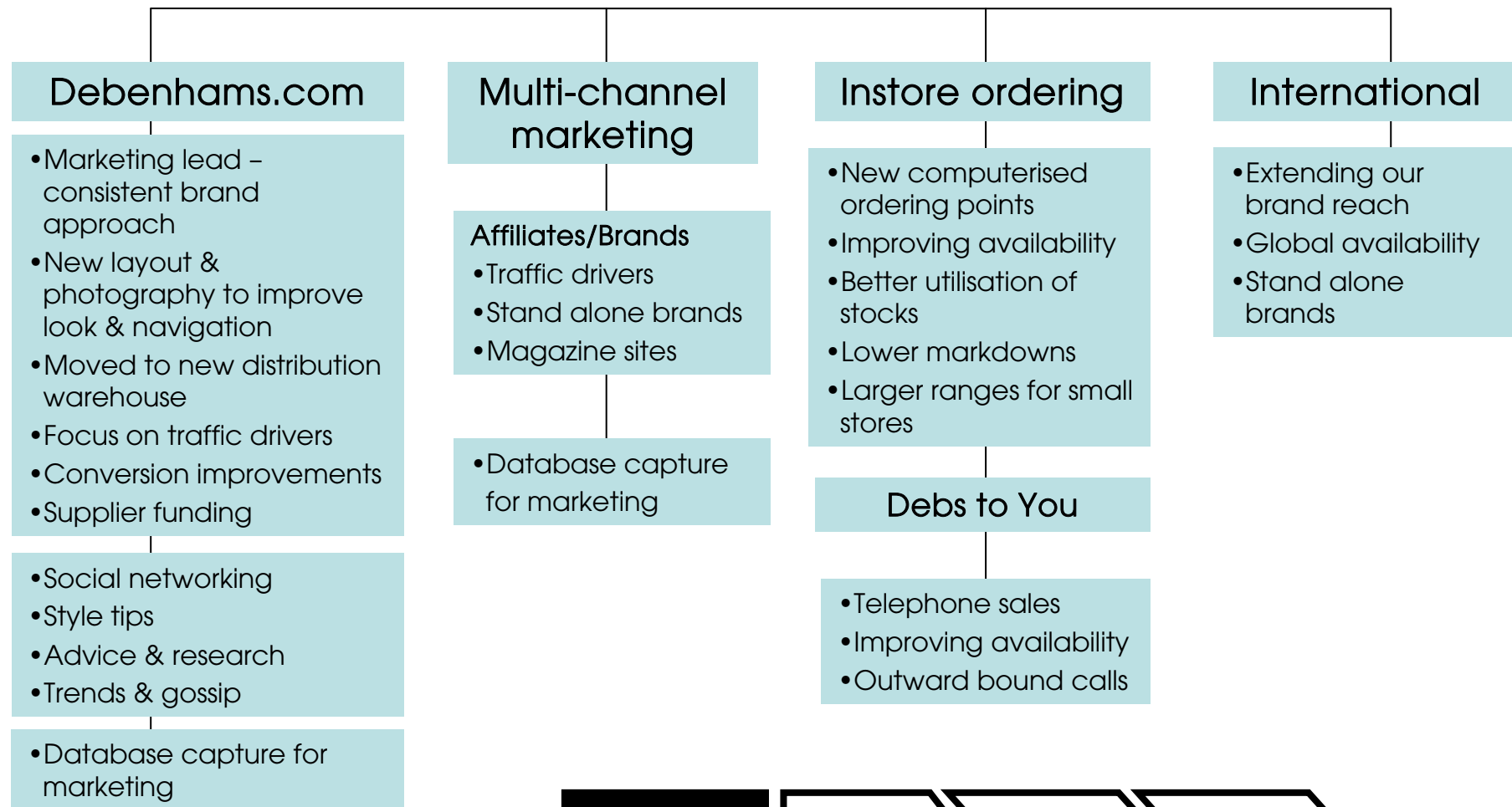
DEBENHAMS DESIGN  
36 in every department

Space  
Expansion

New stores

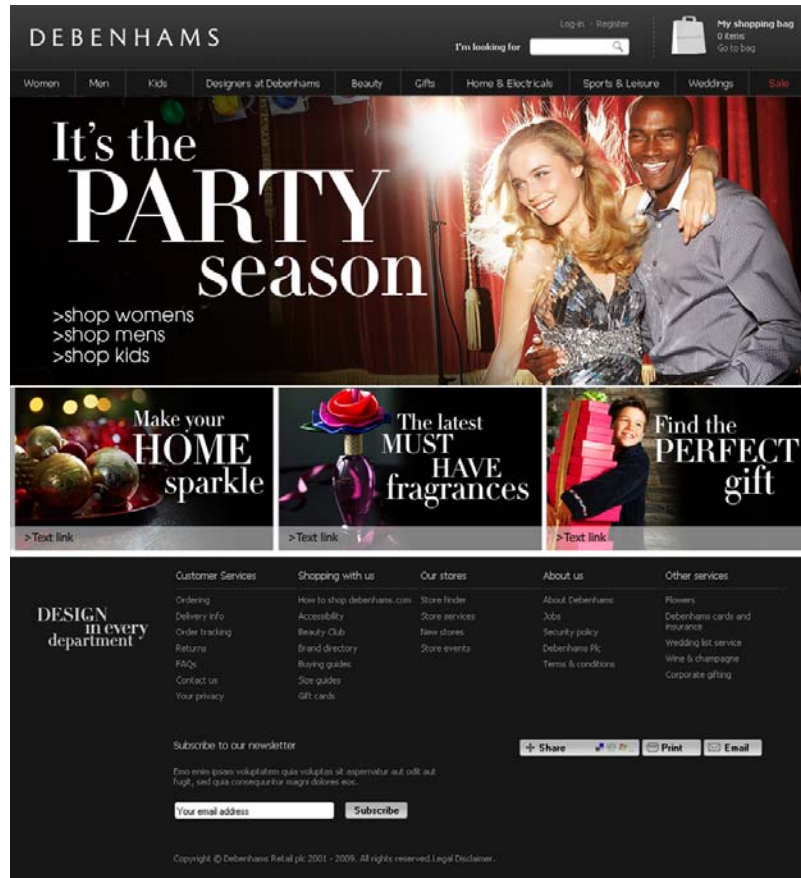
International  
stores

# Multi-channel route map





# Upgrading debenhams.com



- Look and feel refreshed
- Ease of shopping enhanced through quicker navigation and better search functionality
- Launching Autumn '09
- Service levels already improving following change in fulfilment partner
- Strong sales growth

DEBENHAMS  
38 in every department DESIGN

Multi-Channel

Upgrading  
debenhams.  
com

Affiliates  
and  
international

Instore  
integration

# Affiliates and international

## Marketing via affiliates

- Opportunity to drive additional traffic to debenhams.com through affiliates
- Future developments: standalone brand sites including some Designers at Debenhams brands

## International delivery

- Success of franchise stores proves demand for Debenhams outside UK/Ireland
- Launching to 7 countries first half 2010; more to follow
- Higher fulfilment costs offset by fewer returns from customers

# Integrating instore and online

- In-store ordering
  - Aim: to improve ranging and availability whilst reducing markdown
  - Facilities now available in all stores
  - Currently staff assisted service
  - Self-service kiosks rolled out over next year
- Click and collect
  - Aim: to improve customer service by providing alternative delivery options
  - In final testing
  - Launching November 2009





# Cash generation

- Debenhams is highly cash generative
- RCF of £250m and historically c£100m pa of free cash flow
- Standardising creditor terms
- Expansion of own bought is broadly working capital neutral
- Tight control of capex and costs

# Use of proceeds

- £50 million payment made against scheduled £150 million May 2010 amortisation payment
- £61.4 million debt buy-back, average discount 5.6%
- Further £100 million payment against May 2010 amortisation payment made 21 October 2009
- Store refurbishment programme to recommence
- Will continue to look for accretive acquisitions
  - Add further operating units to leverage existing infrastructure
  - Brands to reverse into Debenhams
  - Must maintain or improve leverage ratios

# Background to trading strategy

Expect no real change in trading conditions  
.....but market comps are lower

## Positive influences

- Stabilisation/early signs of growth in housing market
- Low interest rates
- Mortgage advances improving
- Higher disposable income
- Low cost environment
- Less space growth and competition

## Negative influences

- High unemployment and increased fear of unemployment
- Higher taxation
- Cuts in public sector spending
- Savings ratio
- Competitors increasing advertising & promotions

# Trading strategy 2010

- Re-invest some margin growth into strong promotional events
- Drive multi-channel
- Focus on cash profit levers
- Invest in refurbishment of stores where we can potentially grow market share from direct competition
- Continue to open new stores
- Continue to look for accretive acquisitions
- Build brand and style awareness through new advertising campaign

# WATCH OUR NEW TV ADVERT



00:03 / 03:52



# Current trading

For seven weeks ended 17 October 2009

- Gross transaction value up 2.8%
- Like-for-like sales up 0.6%
- Gross margin up
- Cash margin up

# Summary

- Creditable, upper quartile performance in 2009
- Business priorities for 2010
  - Core stores
  - Space expansion
  - Multi-channel initiatives
  - Balance sheet optimisation
- Encouraged by consumer reaction to new product launches