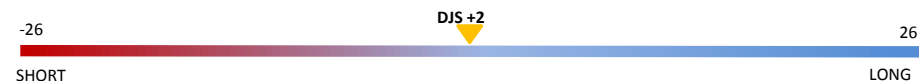


Code	DJS
Company Name	David Jones
Author: Evan Lucas	

Equity Matrix

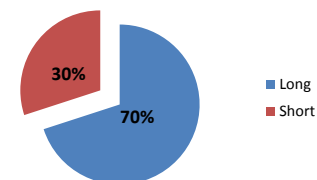
ACTUAL EARNINGS	First half actual	H1FY13 numbers (comparison)	H1 Contribution	Comments	
Revenue (million)	\$1,042.0	\$1,003.0	3.89%	Stronger-than-expected department store sales plus a 220% increase in online sale adding value	1
Profit after tax (million)	\$70.1	\$73.5	-4.63%	Was forecasted to contract as weaker retails sales & soft consumer sentiment filter through	-1
ACTUAL V CONSENSUS	Actuals	Analysis Consensus	Difference	Comments	
Revenue (million)	\$1,042.0	\$1,050.0	-0.76%	In-line result. Sales from Financial services hit by profit share agreement with AMEX	0
Earnings Per Share	\$0.131	\$0.125	4.80%	Earnings mix was diluted on new profit pooling agreement with AMEX previous agreement expired in FY13	1
Profit after tax (million)	\$70.1	\$68.3	2.64%	The earnings mixed filtered through yoy however the beat on consensus due to department store sales	1
Dividend per share	\$0.100	\$0.095	5.26%	Slight beat on consensus as the board saw the low level of debt (net debt = 0) for maintaining the payment	2
HISTORICAL PERFORMANCE V ESTIMATES (incl. H1FY14)	Actuals	Beat/Miss	Historical	Comments	
Revenue (million)	\$1,042.0	Inline	Missed 8/9	In-line sales figure however was on the downside and continues a poor record on a historical basis	-2
Earnings Per Share	\$0.131	Beat	Beat 7/9	The beat on consensus continues the trend as department stores	1
Profit after tax (million)	\$70.1	Beat	Beat 6/9	half-on-half contraction however the reduction was lower than expected as sales held up	1
COMPANY FY14 GUIDANCE V MARKET CONSENSUS FY14	Company	Fwd Consensus (FY14)	Difference	Comments	
Revenue (millions)	Not Given	\$1,935	N/A	No specific guidance given and that is not surprising considering Paul Zahra has confirm that merger talks with MYR remain	0
Earnings Per Share	Not Given	\$0.163	N/A	a real possibility and forawrd guidance will impact the sale price. Consensus figures show a moderate contraction year on	0
Net Profit (millions)	Not Given	\$89.00	N/A	year in profit.	0
BROKER CALLS	Consensus Call*	Mode	Average	Comments	
No. of Brokers = 17	2.65	Hold	Sell	Most brokers still see retail sales pressure monunting on the discretionary play	-1
	Current Price	Consensus Price	Upside/Downside	Comments	
Price Target	\$3.32	\$2.99	-9.94%	Merge talk with MYR has seen the price of DJS move through 15% however target prices have not move	-1
Short Interest as % of free float					
*5 = Buy, 4= Partial Buy, 3 = Hold, 2 = Partial Sell, 1 = Sell					

Total IG Matrix Score **2**



Equity matrix sees DJS NEUTRAL

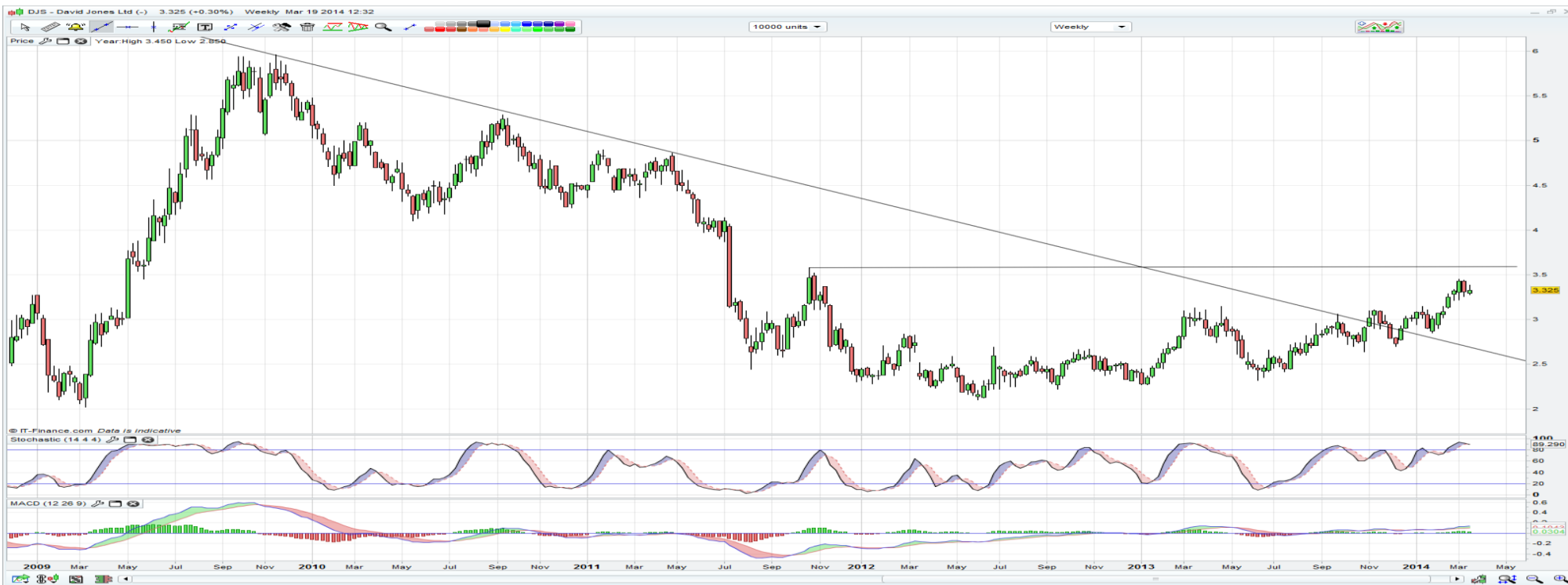
Composition of IG's clients open positions DJS



SUMMARY OF RESULTS

On a consensus basis the figures from DJS are solid; beats on the EPS and profit line were down to better-than-expected store earnings, strong cash flow generations, better-than-expected gross profit (however margins was flat as pre-Christmas discounting hit this line) and the cost of doing business to sales ratio decreased by 30 basis point to 30.2%. The moves in the department store division is enlightening and shows that despite some gloom around bricks and mortar retail saw impressive gains, with earnings increasing to \$91.5 million +8.3% half-on-half or \$6.9 million which was generated entirely by sales as margins remains fixed at 39%. The results would have been stronger had leasing and occupancy costs not increased by \$8 million over the half. Management is also highlighting the rapid growth in online, with a 220% increase over the half and is now aiming for 10% of EBIT to come from online by 2018; a goal that looks possible by optimistic at the same time. The matrix rates DJS as **NEUTRAL**, however that could be overridden by merger talks. This result is likely to see DJS demand a premium for sale and could see an offer price around \$3.50 to \$4, which still might not be considered strong enough. This is a good result, but DJS's share price with be determined by M&A rather than fundamentals.

Sources: Consensus numbers - Bloomberg Actuals - DJS media presentations.



TECHNICALS

The weekly chart looks fairly positive (as seen on the chart enclosed), while price action on the daily of late looks less so. Short-term upside momentum has faded and it seems the bulls have run out of catalyst to push prices high. Pullbacks look like a buying opportunity, but for now a period of consolidation looks likely.

Description	Matrix Scoring
Actuals	Points will be awarded on a 4 point range of -2 to +2. +/-2 will be awarded if the actuals are over or under 10% previous half or year. If the actuals are between +/-2% to +/-10% of the previous half or year will be awarded +/-1 point with 0 points for a results within +/-2% of last half or year numbers (considered in line).
Consensus	Points again will be spread over a 4 point range of -2 to +2. If the actuals managed to be over or under 5% of the consensus estimates a score of +/-2 will be awarded. If the actuals are between +/-2% to +/-5% +/-1 point with be given with 0 points for a results under +/-2% no points awarded (considered in line).
Historicals	If more than 80% of the previous and current releases beats or misses estimates +/-2 points will be awarded. 45% to 80% of previous and current periods beat or misses estimates +/-1 points and under 45% of previous and current releases 0 points.
Forward Guidance	Points will be awarded on a 4 point range of -2 to +2. If guidance is expected to grow/contract by more than +/-15% a score of +/-2 will be given (above market trend). Guidance between +/-7% to +/-15% +/-1 point will be awarded with 0 points awarded for estimates under +/-7% (considered trend).
Broker Calls	2 points for a strong buy, 1 points for a buy call, 0 points hold, -1 for a sell, -2 for a strong sell. +/-2 points will be awarded for the current share price that has +/- 15% upside or down side from target price, +/-1 points for a price between +/-7% to +/-15% and 0 points for a price only +/-6% away from price target.

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