



Debenhams plc

International Strategy & Introduction to Magasin du Nord

7 May 2010

DEBENHAMS DESIGN
in every department

M[★]agasin

Rob Templeman
Chief Executive, Debenhams plc

DEBENHAMS DESIGN
in every department

Māgasin

Today's Programme

08:00	Presentations
09:15	Depart hotel for Kongens Nytorv store
09:30	Visit to Kongens Nytorv store
11:30	Free time to visit other city centre retailers
12:30	Lunch at hotel
13:15	Depart hotel for Field's store
14:00	Visit to Field's store
16:00	Depart for airport

Strategic Objectives

- Product strategy to improve gross margins and sales
 - Expanding own bought ranges, especially Designers at Debenhams
 - Sourcing and supply chain efficiencies
- Space expansion
 - New stores
 - International
 - Refits
- Multi-channel
 - Clear plan for further growth and development
- Deleveraging the balance sheet

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Debenhams International Strategy

"To extend Debenhams' international reach and build global brands profitably."

Strategy

Emerging or distant markets

Franchise or JV model

W. European markets

Potential for owned/JV or franchise model

Brand exports

Principles, Designers at Debenhams

Multi-channel

Extending our reach internationally

Extending brand awareness

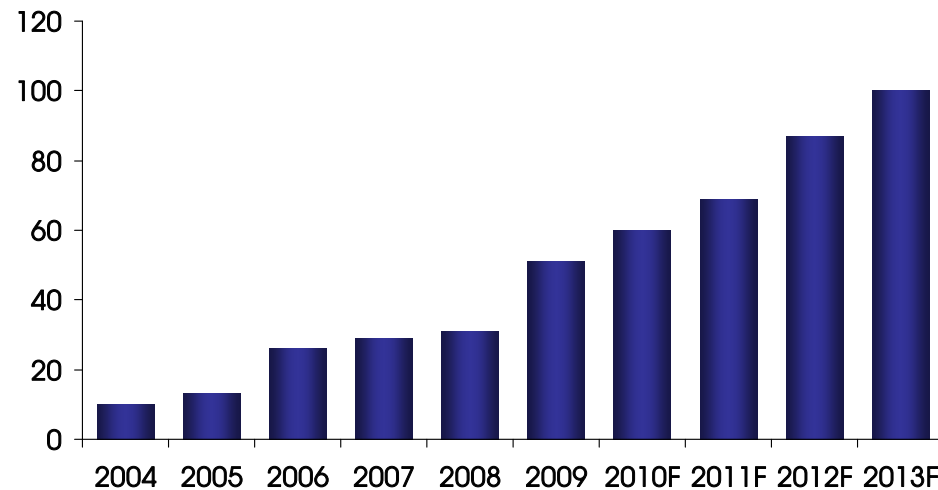
Potential for sub-brands

International Franchise Stores

60 stores in 23 countries by end of FY 10.....



.....and 100 stores by end of FY 13



Why Magasin?

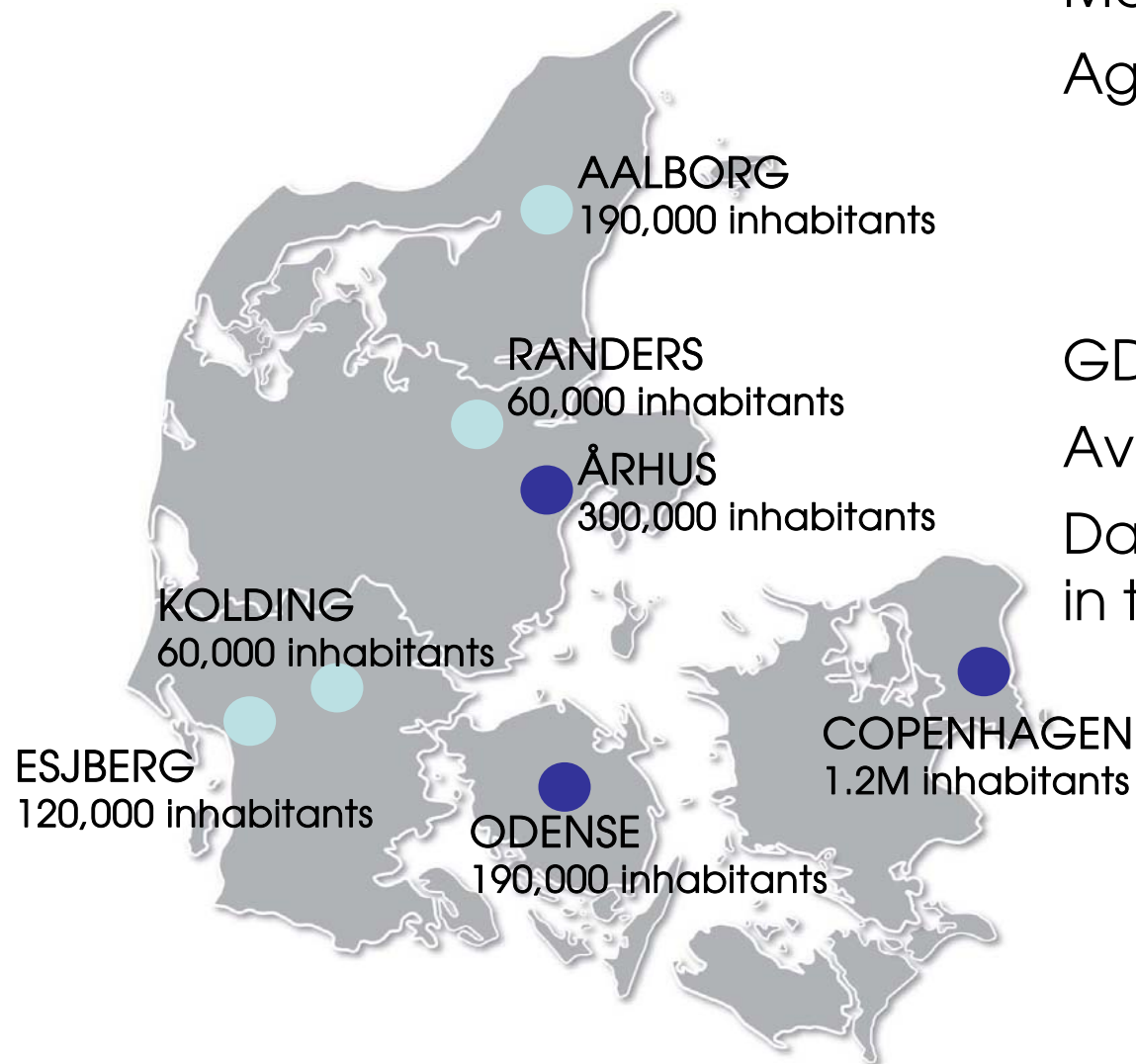
- Iconic Danish retail brand
- Low cost, low risk acquisition
- Previous sales experience in Denmark through franchise store
- English widely spoken
- Can be serviced from UK distribution network
- Well-invested stores
- Creates a platform and business model for further expansion of internationally owned assets
- Gross capital investment £10m
- Annual turnover c£185m

Jon Bjornsson
Chief Executive, Magasin du Nord

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Denmark



Population 5.53m

Male 49.6%, Female 50.4%

Age:	0-19	23%
	20-39	25%
	40-59	28%
	60+	24%

GDP per capital: 300,054 DKK

Average household: 2.1 people

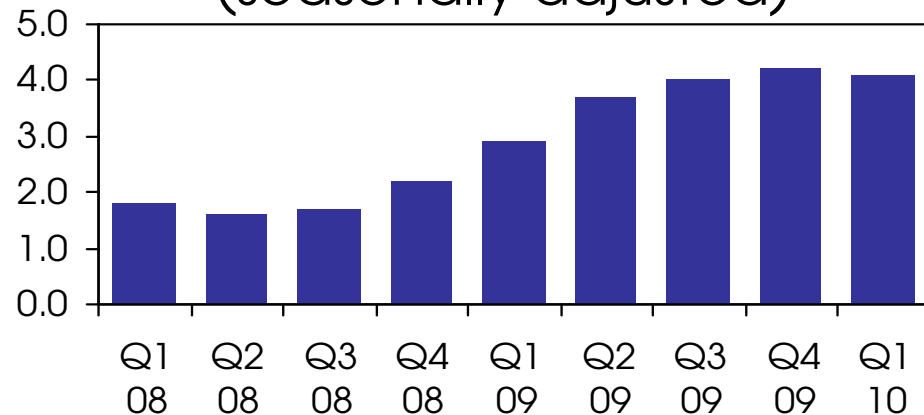
Danes voted happiest people in the world

Danish Economic Environment

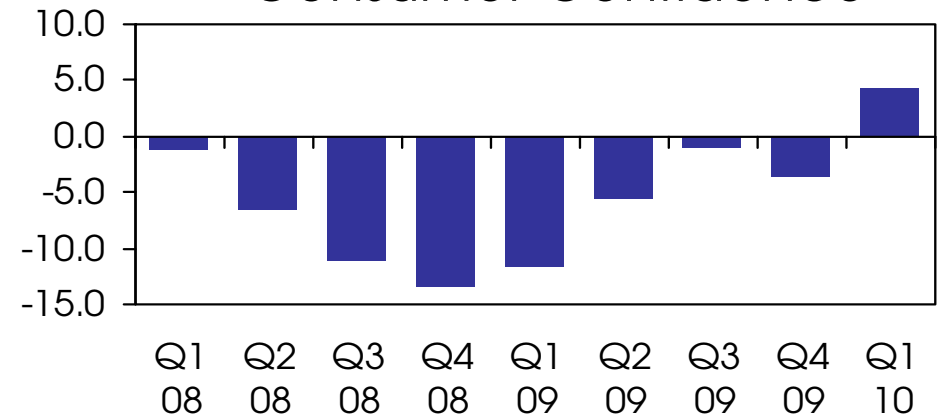
- Tax cuts implemented in 2009 have resulted in higher net income for consumers
- Low interest rates (discount rate 0.75%)
- Low unemployment (4.1%)
- Low inflation (2.2%)
- Signs of increased consumer confidence
- Recession ended in Q3 2009
- High household leverage
- Government spending to exceed 1 trillion DKK in 2010

Data Points

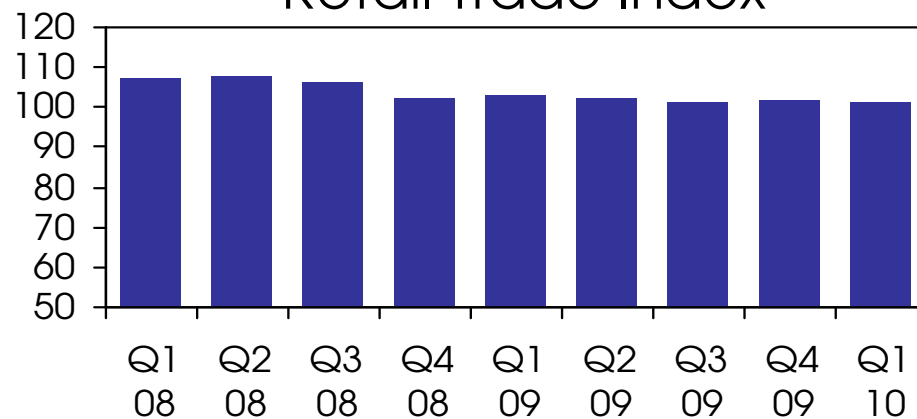
Unemployment Rate %
(seasonally adjusted)



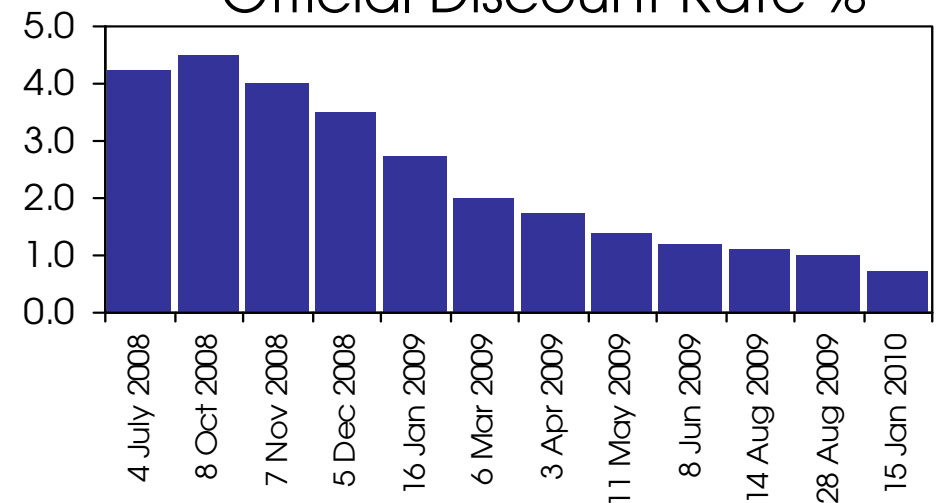
Consumer Confidence



Retail Trade Index



Interest Rates:
Official Discount Rate %



Sources: Danmarks Nationalbank, StatBank Denmark

Magasin History

"An iconic brand in Denmark for nearly 150 years."

- 1868 Magasin founders Theodor Wessel and Emil Vett open a textile store in Århus
- 1870 First store opened in Copenhagen
- 1909 Magasin has more than 100 stores and 10,000 employees
- 1932 Magasin store portfolio peaks with 170 sales outlets
- 1952 Magasin changes strategy from many small speciality shops to the Magasin department stores we know today. Company listed on stock exchange
- 2004 Acquired by Baugur
- 2008 Acquired by Icelandic bank Straumur
- 2009 Acquired by Debenhams

Magasin Stores



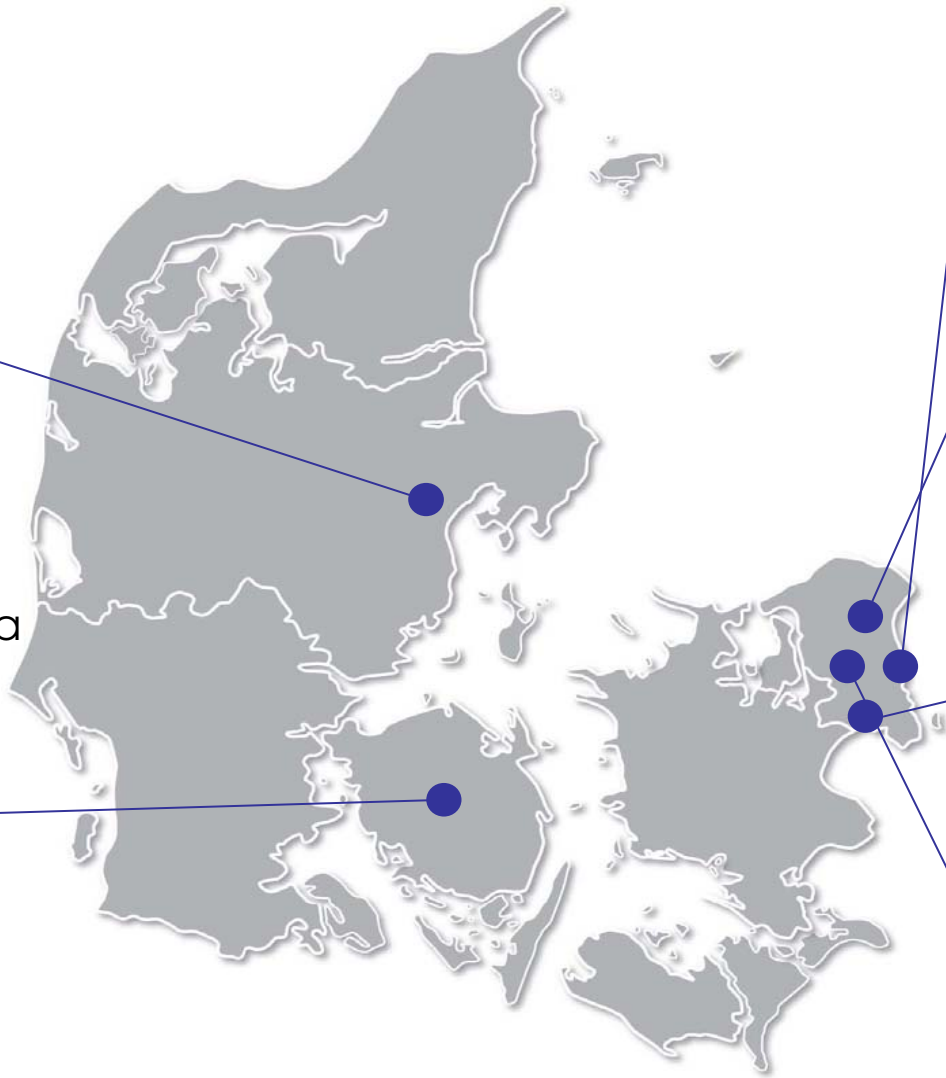
ÅRHUS

Opened 1868
194,000 sq ft
3.2m customers pa



ODENSE

Opened 1954
108,000 sq ft
2.9m customers pa



KGS. NYTORV

Opened 1879
325,000 sq ft
7.0m customers pa



LYNGBY

Opened 1960
205,000 sq ft
3.3m customers pa



FIELD'S

Opened 2006
70,000 sq ft
2.0m customers pa



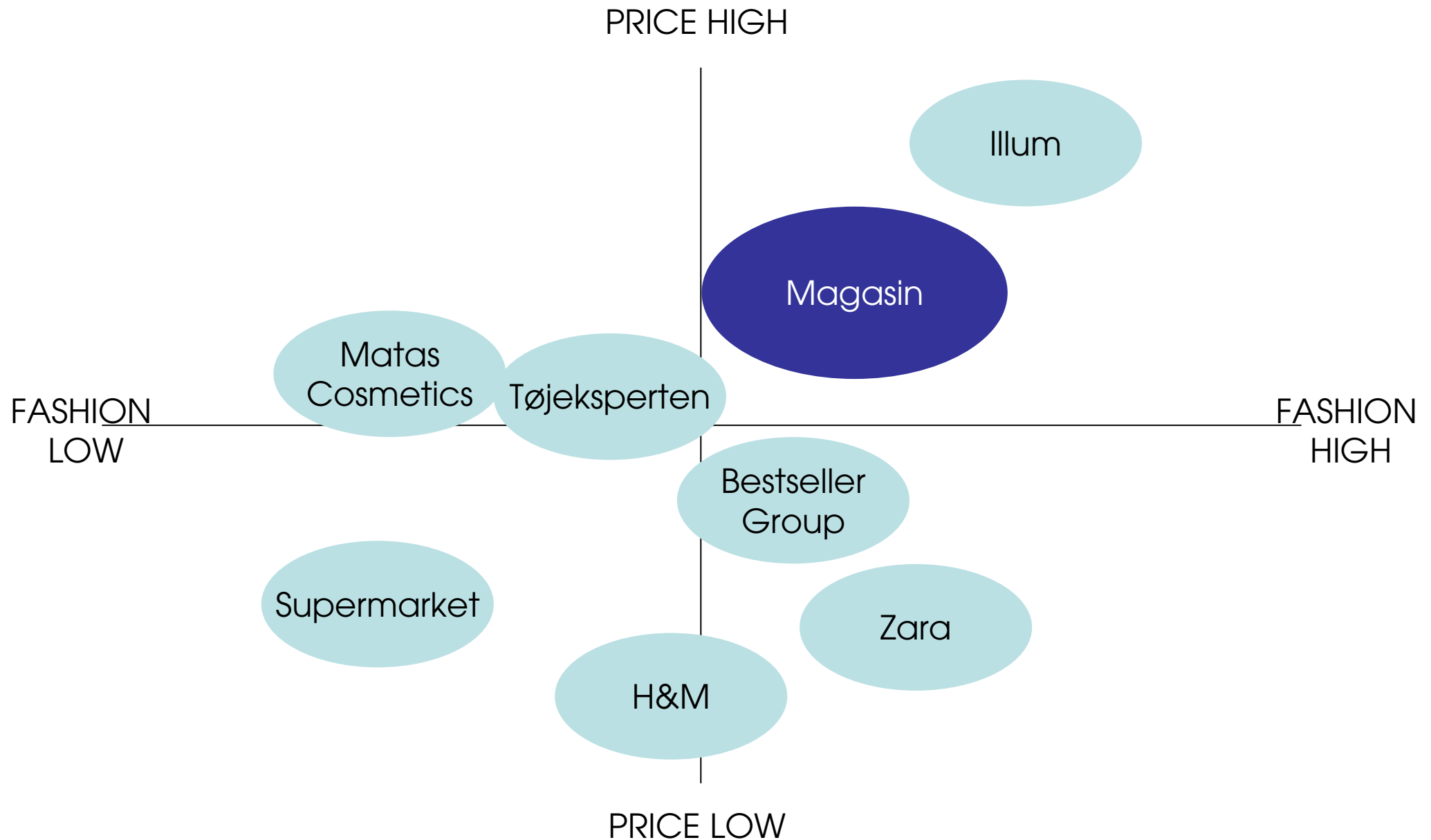
RØDOVRE

Opened 1966
75,000 sq ft
2.2m customers pa

Competitive Landscape

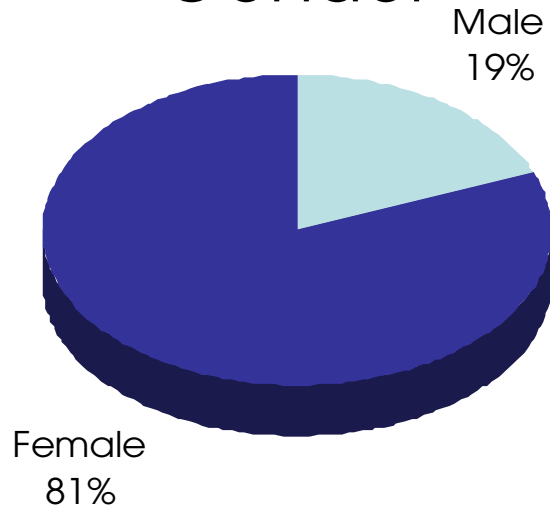
- Historically have been many small independent retailers, dominated by local brands
- Largest clothing retailers are IC Companys and Bestseller
- Now more international brands (e.g. H&M, Zara, Next, Topshop, Foot Locker)
- Beginning to see consolidation towards large, multi-nationals
- Very little department store competition
 - Illum: one store in Copenhagen
 - Salling: one store in Aalborg

Brand Positioning

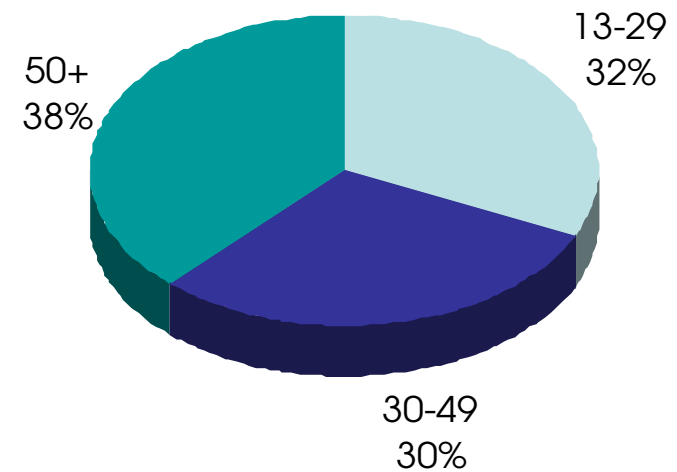


Customer Profile

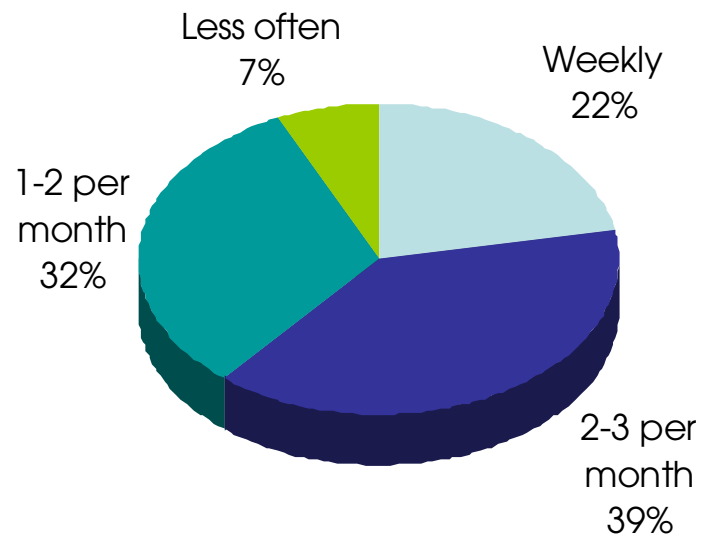
Gender



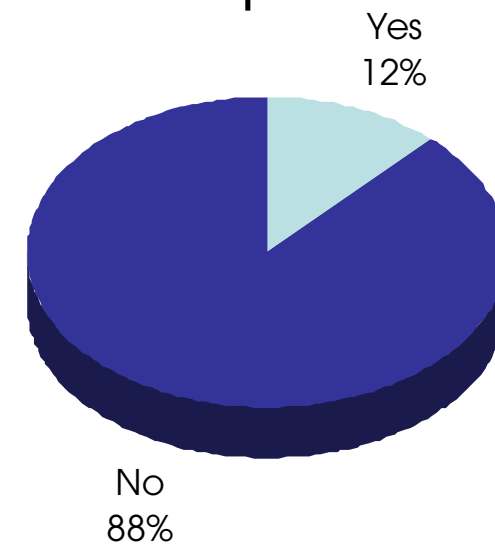
Age



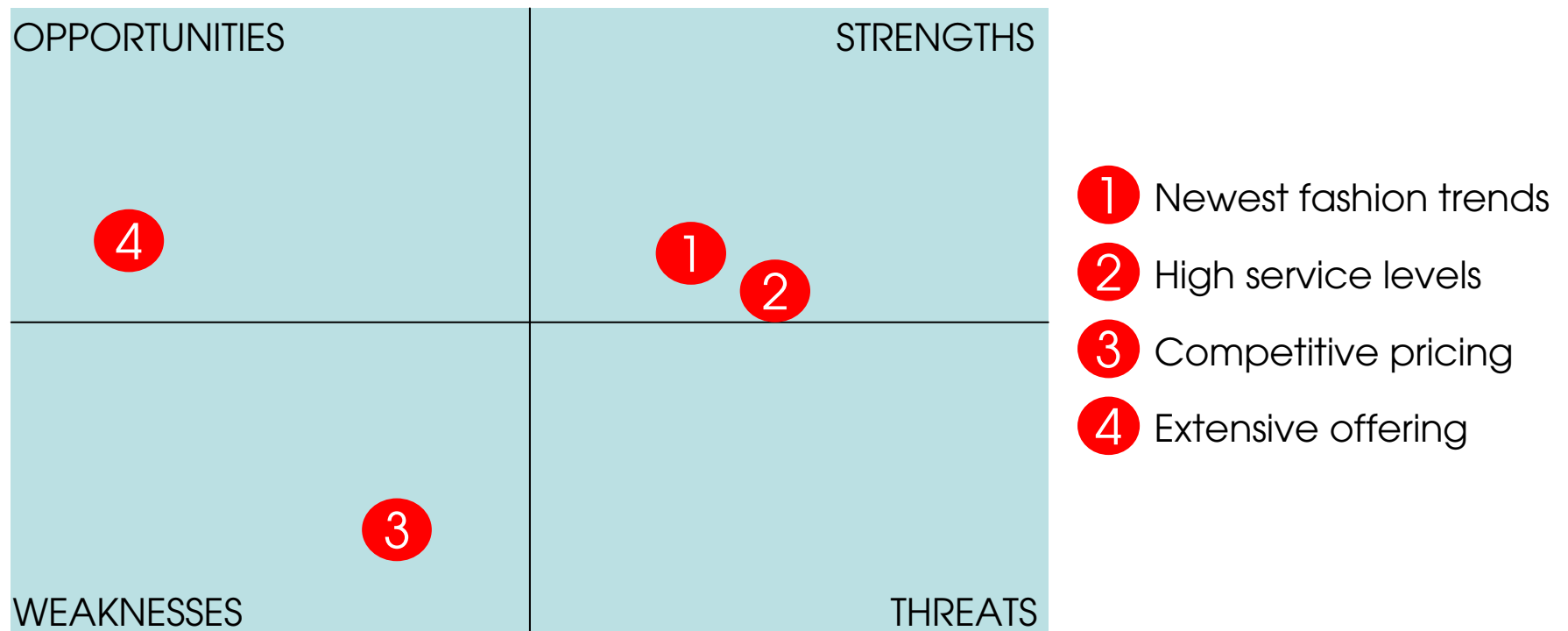
Frequency of visits



Cardholder penetration



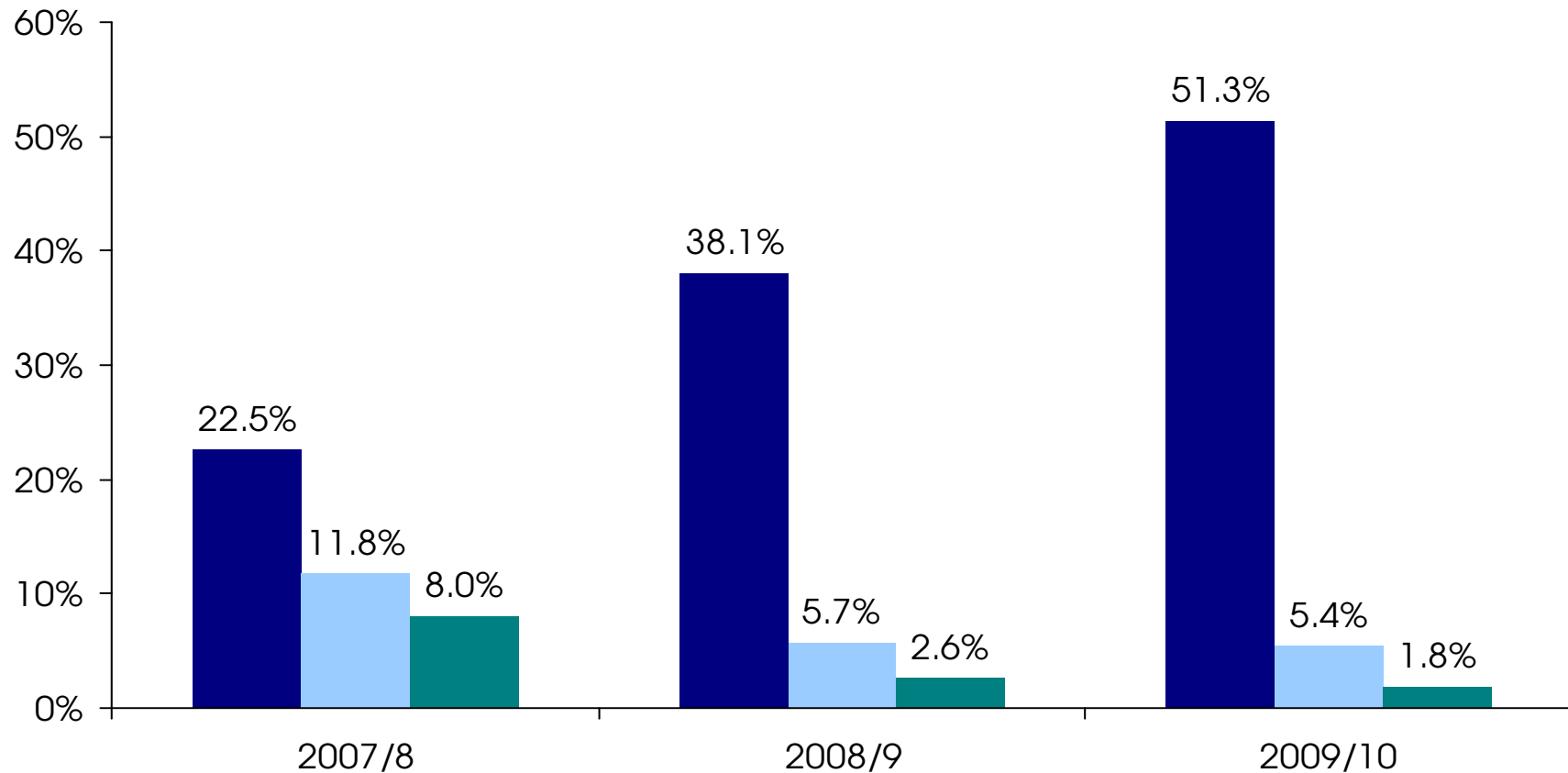
Customer Satisfaction



Conclusions

- Leading aspirational brand that represents fashionability, quality and customer service.....
-but pricing perception could be improved

Customer Exit Polls



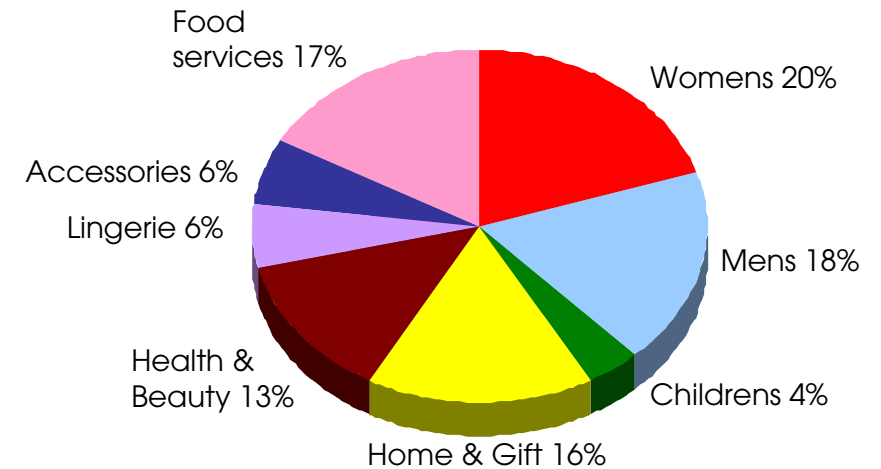
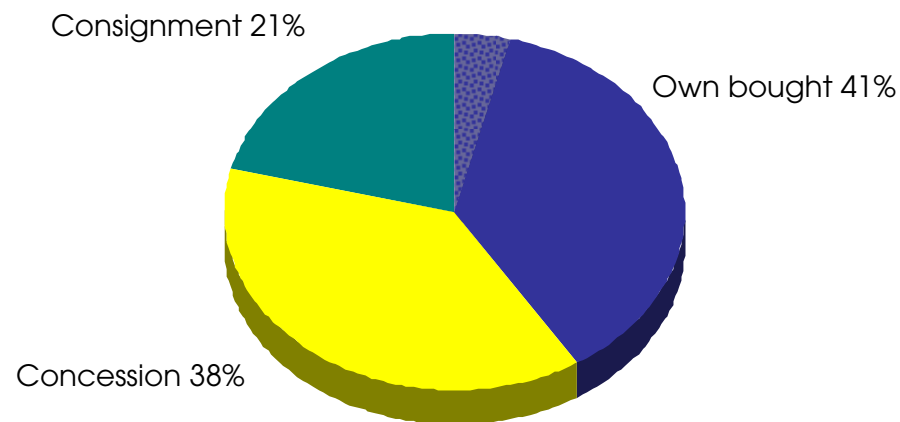
Ambassadors

Disloyal customers

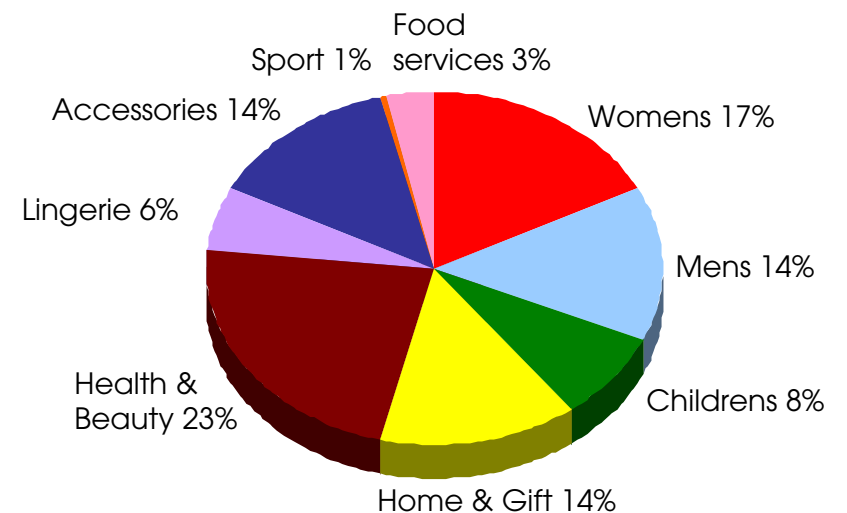
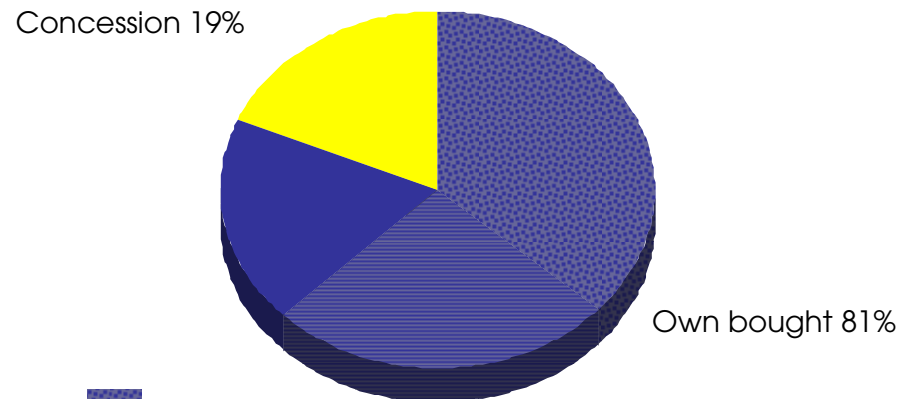
Lost customers

Sales Analysis

Magasin



Debenhams (ex Magasin)



Own Bought Private Label

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B A K I T O .

mag[★]smagasin

A D D I T I O N
BY WESSEL & VETT

Own Bought International Brands

D&G
DOLCE & GABBANA

PEAK
PERFORMANCE



ESTÉE LAUDER

Aubade
LINGÈRE DE FEMME

Lee[®]



BIOTherm
HOMME

YVES SAINT LAURENT

sisley
PARIS



Chloé

MAC



CLARINS
PARIS



DKNY
DONNA KARAN NEW YORK

LYLE & SCOTT
LUXURY



SPIEGELAU
Finest glasses

GANT



BOBBI BROWN



L'ORÉAL
PARIS

PHILIPS

LANCÔME
PARIS

Kartell



Betty Barclay

Ray-Ban[®]

Concessions

UNITED COLORS
OF BENETTON.

HUGO
HUGO BOSS



IC COMPANY'S
HOME OF TRENDY STAFFS

ESPRIT
esprit.dk

ROSENDAHL
COPENHAGEN

GEORG JENSEN

SAMSØE Ø SAMSØE

TOMMY
HILFINGER

stelton

NOA
NOA

Hamleys
EST. LONDON 1791



Levi's

TOPSHOP



Filippa K



Van Gils

DIESEL
FOR SUCCESSFUL LIVING

[[Wolford]]

MANGO

Consignment

MADS
NØRGAARD
COPENHAGEN

LEXINGTON

REPLAY®

evatrio

VAGABOND

ck

極度乾燥(しなさい)
Superdry.

Deazigual

Triumph
INTERNATIONAL

CAMPER

jbs

PURVEYOR TO HER MAJESTY
THE QUEEN OF DENMARK
HOLME
GAARD
1825

J.LINDBERG
STOCKHOLM

ADAX
COPENHAGEN

FEMILET

LONGCHAMP
PARIS

Our Priorities In 2005

POSITIONING

GIVE THE BRAND EQUITY

Create attractiveness

Fashion and female focus

Trust the brand

Undercapitalised

RETAIL OPERATIONS

WORKING CAPITAL

Different buying models

Improve stock efficiency and working capital management

Exit/convert cash leaking activities

OPERATIONAL VISIBILITY

Replace systems

Set up KPIs

Set up business report structure

Introduce concept of merchandising

SIMPLIFY THE MODEL

Big culture – small company

Replace specialist culture with trading culture

Provide the right tools

Have a vision and a strategy and stick to it

Key Achievements By 2010

- Market position improved
- Terminal stock reduced from 30% to less than 3%
- All stores refurbished (255m DKK invested over 5 yrs)
- IT systems replaced (50m DKK invested)
- Improvement substantially funded by improved stock management & creditor terms
- Number of suppliers reduced by over two-thirds
- Lack of retail discipline replaced by dedicated and professional organisation
- Key financials for year to February 2010
 - Net sales 1,880m DKK
 - EBITDA 22m DKK
 - Cash positive

Our Position Today

- Great locations
- Iconic brand that customers trust and care for
- Health & Beauty
 - Market share 20%
 - Number one destination in Scandinavia with more than 100 international brands
 - Amongst the 10 leading health & beauty departments in Europe
- Good representation in all major categories
- Two successful loyalty card programmes with more than 130,000 cardholders

The Future With Debenhams

- Safeguards future of one of Denmark's strongest brands
- Sourcing skills and purchasing economies of scale for Magasin to draw from; access to Debenhams' management and expertise
- Opportunity to extend the Magasin brand, both nationally and internationally
- Part of a plc with cash resources
- Ability to deploy capital expenditure for high returning projects
- Wider career prospects across a much larger group that has ambitions for future growth

Rob Templeman
Chief Executive, Debenhams plc

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Magasin: The Opportunity

Strengths

- One of the best known brands in Denmark
- Aspirational
- Fashionable
- Wide choice
- Quality

Weaknesses

- Little product differentiation
- Customers perceive as expensive
- No buying strength or sourcing strategy
- Margin too low

Investment Thesis

"Create and test a platform for future growth."

```
graph TD; A["'Create and test a platform for future growth.'"] --- B; B --- C["Sales expansion"]; B --- D["Margin expansion"]; B --- E["Synergies"];
```

Sales expansion

Margin expansion

Synergies

Sales Expansion

- Widen consumer appeal to drive market share whilst retaining Magasin's brand heritage
- Improve linear conversion and space utilisation to widen choice
- Introduce selected Debenhams' ranges
- Expand Magasin private label ranges
- Utilise some margin gains to reduce prices
- Introduce full multi-channel offer
- Space expansion: opportunity for 2-3 more stores

Sales Expansion: Debenhams' Brands

- Introduce selected Debenhams' brands into Magasin stores

d é b u t

bluezoo®

Mantaray

JASPER J CONRAN

redherring

STAR BY
julienmacdonald

BETTY JACKSON. BLACK

ROCHA. JOHN ROCHA

butterfly by
MATTHEW WILLIAMSON

BAKER
BY TED BAKER

principles
BY
BEN de LISI

ben de lisi
BEN de LISI

St. GEORGE
BY DUFFER

Sales Expansion: Price Realignment

- Utilise some margin gains to reduce prices
- Examples
 - Levi's jeans
 - men's shirts
 - jersey
 - towels
 - china

Sales Expansion: Multi-Channel

*Opportunity:
85% of the Danish population uses the internet*

Current

- Internet sales c.10m DKK p.a.
- Only limited range of home products available

Future

- All product categories and ranges available
- Harmonisation with Debenhams website
- Market multi-channel offer, particularly in areas in Denmark where no store presence and in Sweden

Margin Expansion

- Leverage Debenhams' supply chain
 - Use Debenhams' expertise and size to achieve better cost prices
 - Volume rebates
 - Economies of scale
- Increase own bought product participation
 - Better space utilisation through improved linear conversion
 - Introduction of Debenhams and Magasin branded products
 - New product categories (e.g. men's accessories, gifts)
- Concession/consignment business model

Synergies

"The Magasin opportunity is about sales and margin expansion rather than cutting costs."

- Modest savings in head office
- Eliminate some double functions
- Closure of over-spaced warehouse
- Integration of some back office functions

Magasin: Action Time Line

Sales expansion

- Fields and Rødovre: c30% Debenhams' products by end June
- Other stores: c15% Debenhams' products by year-end
- Full price realignment by SS10
- Multi-channel: 12-18 months

Margin expansion

- Work in progress
- Some impact for AW10
- Full impact for SS11

Synergies

- Largely complete

Magasin Operating Performance: H1 10

	£m
Gross transaction value	88.2
Gross margin	28.7
<i>Gross margin rate</i>	<i>32.5%</i>
EBITDA	4.9
Operating profit before exceptionals	3.1

Note: Consolidated from effective date of control 7 Nov 2009 (16 weeks)

Guidance and Targets

Guidance

- FY10: gross transaction value £180-190m; profit neutral
- FY11: gross transaction value maintained; EBITDA contribution £13-14m; PBT contribution £7m

Targets

- Sales: growth driven by widening customer appeal
- Gross margin: increase by 500-600bps over medium-term
- EBITDA margin: improve to double digit over medium-term

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Extending brand awareness

Potential for sub-brands