FULL YEAR RESULTS
22 October 2015
DEBENHAMS
Headlines

- Full year profit in line with expectations
- Further good progress on strategic priorities
- Strong net cash generation
- Maintained cash dividend
- Clear strategy for long term sustainable growth
<table>
<thead>
<tr>
<th>Financial headlines</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group gross transaction value</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Constant currency group LFL sales</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Group LFL sales</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>Flat</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£113.5m</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>7.6p</td>
</tr>
<tr>
<td>Net debt</td>
<td>£319.8m</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>3.4p</td>
</tr>
</tbody>
</table>
## Summary trading results

<table>
<thead>
<tr>
<th></th>
<th>FY 15 (£m)</th>
<th>Variance vs. FY 14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>Int’l</td>
</tr>
<tr>
<td>Gross transaction value</td>
<td>2,323.5</td>
<td>536.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>197.6</td>
<td>41.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>101.7</td>
<td>32.4</td>
</tr>
<tr>
<td>Net finance cost</td>
<td></td>
<td>(20.6)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(20.0)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 FY14 comparative includes non-recurring finance cost of £4.5m
Sales growth driven by online and International

Constant currency LFL +2.1%

- UK stores * +1.3%
- UK online * +1.1%
- International (0.3%)
- Currency impact +1.5%
- LFL +0.6%
- New UK space +0.7%
- International franchises +0.0%
- GTV +1.3%

* Adjusted for online returns to store

Represents contribution to LFL and GTV growth
Lower markdown offset by sales mix delivered flat margin rate

<table>
<thead>
<tr>
<th></th>
<th>H1 15</th>
<th>H2 15</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intake(^1)</td>
<td>(50)</td>
<td>(10)</td>
<td>(30)</td>
</tr>
<tr>
<td>Markdown</td>
<td>100</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Sales mix(^2)</td>
<td>(50)</td>
<td>(70)</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>FLAT</td>
<td>FLAT</td>
<td>FLAT</td>
</tr>
</tbody>
</table>

\(^1\)Investment in “first price, right price” in key categories  
\(^2\)Includes brand mix and category mix
Online sales and EBITDA growth

Group online

<table>
<thead>
<tr>
<th></th>
<th>FY 15*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTV</td>
<td>£388.2m</td>
</tr>
<tr>
<td>GTV growth</td>
<td>+11.4%</td>
</tr>
<tr>
<td>EBITDA growth</td>
<td>+11.5%</td>
</tr>
</tbody>
</table>

*Adjusted for online returns to store

Online history

- GTV (£m)
  - FY 12: 150
  - FY 13: 200
  - FY 14: 250
  - FY 15: 300

- Online Group GTV as % Group GTV
Costs well controlled

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
<th>% change vs LY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store costs</td>
<td>£603.8m</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Online costs</td>
<td>£91.7m</td>
<td>+4.4%</td>
</tr>
<tr>
<td>Online costs as % sales</td>
<td>25.2%</td>
<td>160bps lower</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store + online costs</td>
<td>£129.7m</td>
<td>(5.8%)</td>
</tr>
<tr>
<td><strong>Other costs</strong></td>
<td></td>
<td>(0.1%)</td>
</tr>
<tr>
<td><strong>Total operating costs</strong></td>
<td></td>
<td>+0.6%</td>
</tr>
</tbody>
</table>
## Cash generative business

<table>
<thead>
<tr>
<th></th>
<th>FY 15 £m</th>
<th>FY 14 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>134.1</td>
<td>128.6</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation¹</td>
<td>104.5</td>
<td>102.2</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>238.6</td>
<td>230.8</td>
</tr>
<tr>
<td>Working capital</td>
<td>(2.3)</td>
<td>9.7</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(133.4)</td>
<td>(128.0)</td>
</tr>
<tr>
<td><strong>Cash flow before financing &amp; taxation</strong></td>
<td><strong>102.9</strong></td>
<td><strong>112.5</strong></td>
</tr>
</tbody>
</table>

¹Depreciation includes loss on disposal of fixed assets
Stock management under control

Group closing stock value
FY 15 vs. FY 14

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 15 vs. FY 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Like-for-like stock</td>
<td>(4.9%)</td>
</tr>
<tr>
<td>New space</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total stock vs. last year</td>
<td>(4.1%)</td>
</tr>
<tr>
<td>Terminal stock *</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Closing store stock unit density*
Units/sq ft

*Excludes Magasin
Capital investment mix shifting to systems and infrastructure

**FY 14**
- New UK stores*: 11%
- Group systems: 12%
- UK store modernisations: 33%
- UK maintenance: 16%
- International: 7%
- Other: 21%
- Total: £128.0m

**FY 15**
- New UK stores*: 10%
- Group systems: 13%
- UK store modernisations: 45%
- UK maintenance: 5%
- International: 17%
- Other: 10%
- Total: £133.4m

*Gross capex before developers’ contributions
## Improvement in net debt

<table>
<thead>
<tr>
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<th>FY 15 £m</th>
<th>FY 14 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow before financing &amp; taxation</strong></td>
<td>102.9</td>
<td>112.5</td>
</tr>
<tr>
<td><strong>Uses of cash</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Taxation</td>
<td>1.1</td>
<td>(20.6)</td>
</tr>
<tr>
<td>• Financing</td>
<td>(19.3)</td>
<td>(13.1)</td>
</tr>
<tr>
<td>• Dividends paid</td>
<td>(41.7)</td>
<td>(41.7)</td>
</tr>
<tr>
<td>• Share buyback</td>
<td>-</td>
<td>(15.1)</td>
</tr>
<tr>
<td>• Debt issue costs</td>
<td>0.2</td>
<td>(7.1)</td>
</tr>
<tr>
<td><strong>Other lease/non-cash movements</strong></td>
<td>(1.5)</td>
<td>(4.4)</td>
</tr>
<tr>
<td><strong>Change in net debt</strong></td>
<td>41.7</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Opening net debt</strong></td>
<td>361.5</td>
<td>372.0</td>
</tr>
<tr>
<td><strong>Closing net debt</strong></td>
<td>319.8</td>
<td>361.5</td>
</tr>
<tr>
<td><strong>Leverage ratio</strong></td>
<td>1.3x*</td>
<td>1.6x*</td>
</tr>
</tbody>
</table>

* Net debt/EBITDA
## Strong cashflow generation

<table>
<thead>
<tr>
<th></th>
<th>FY 13 £m</th>
<th>FY 14 £m</th>
<th>FY 15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>250.2</td>
<td>230.8</td>
<td>238.6</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>(12.5)</td>
<td>(13.1)</td>
<td>(19.3)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(29.3)</td>
<td>(20.6)</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(9.1)</td>
<td>9.7</td>
<td>(2.3)</td>
</tr>
<tr>
<td><strong>Net Capital investment</strong></td>
<td>(133.3)</td>
<td>(128.0)</td>
<td>(133.4)</td>
</tr>
<tr>
<td><strong>FREE CASHFLOW</strong></td>
<td>66.0</td>
<td>78.8</td>
<td>84.7</td>
</tr>
<tr>
<td><strong>Dividends paid</strong></td>
<td>(41.4)</td>
<td>(41.7)</td>
<td>(41.7)</td>
</tr>
<tr>
<td><strong>Share buy back</strong></td>
<td>(25.1)</td>
<td>(15.1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(2.8)</td>
<td>(11.5)</td>
<td>(1.3)</td>
</tr>
<tr>
<td><strong>NET CASHFLOW</strong></td>
<td>(3.3)</td>
<td>10.5</td>
<td>41.7</td>
</tr>
<tr>
<td><strong>NET DEBT</strong></td>
<td>372.0</td>
<td>361.5</td>
<td>319.8</td>
</tr>
<tr>
<td><strong>Leverage ratio</strong></td>
<td>1.5x</td>
<td>1.6x</td>
<td>1.3x</td>
</tr>
</tbody>
</table>
Capital structure and dividend policy guidance show confidence in the strategy

Capital structure

• Improved medium-term leverage target to 0.5x net debt/EBITDA from the current target of 1.0x

Dividend policy

• Board adopting a progressive dividend policy, applying earnings growth to both dividend increases and the rebuilding of cover towards a medium term target of 2.5x
## Summary of guidance for 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group gross margin</td>
<td>+0-50 bps</td>
</tr>
<tr>
<td>Total costs</td>
<td>+2-4%*</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>c.£110m</td>
</tr>
<tr>
<td>Net finance cost</td>
<td>£18-20m</td>
</tr>
<tr>
<td>Taxation</td>
<td>c.20%</td>
</tr>
<tr>
<td>Capex</td>
<td>c.£130m</td>
</tr>
<tr>
<td>Net debt</td>
<td>c.£270m - £290m</td>
</tr>
</tbody>
</table>

*including estimated cost of implementing National Living Wage proposals*
MICHAEL SHARP
CHIEF EXECUTIVE

DEBENHAMS
Life made fabulous
Building a leading international, multi-channel brand

Priorities

1. Refocusing our approach to promotions
2. Building a more competitive and more economic online business
3. Driving a better return from UK stores
4. Accelerating growth in international channels
5. Investing in operational and organisational effectiveness
Delivery against strategic priorities in 2015

1. Refocusing our approach to promotions
   ✓ 4.1% reduction in stock
   ✓ 42 days less on promotion in the last 18 months
   ✓ A further 90bps margin improvement from less markdown
   ✓ First price, right price established

2. Building a more competitive and more economic online business
   ✓ Next day Click & Collect, next day to home, named day and evening delivery launched October 14. Service improved again in October 15.
   ✓ Mobile penetration of online orders now 45%
   ✓ Premium delivery charges reduced and participation increased

3. Driving a better return from UK stores
   ✓ Own bought brands and concessions trials extended to more stores
   ✓ New concession partnerships announced
   ✓ Food service opportunity extended

4. Accelerating growth in international channels
   ✓ Constant currency sales growth of 5.3%
   ✓ +8.1% LFL growth at Magasin
   ✓ Rapid growth in International online in constant currency

5. Investing in operational and organisational effectiveness
   ✓ Growth of Next Day Click & Collect enabled by own fleet store deliveries
   ✓ 47% of international product shipped direct to franchise partners
   ✓ Core buying and merchandising systems replacements commenced

Full Price Sell-through
+7%

Click & Collect
26% of UK online orders

Space Productivity
>35% of the 1 million sq ft utilised

International stores
87 Franchised and owned stores

Flexible Operations
<1% Operating cost growth
Refocusing our approach to promotions

- Tighter stocks and lower markdown
  - *Sales planned prudently*
  - *Reduced stock density by 9% over two years*
  - *Focused on promotions we are famous for*
  - *17 fewer days on promotion in FY15*

- Driving full price sales
  - *First price, right price established*
  - *Gaining market share in clothing*
  - *Maintained value for money perception*
  - *“Match made” marketing campaign*
Delivering a compelling customer proposition

Debenhams Customer Satisfaction

Debenhams Customer Value Perception vs Peers

<table>
<thead>
<tr>
<th>Good Value</th>
<th>Expensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debenhams</td>
<td>48%</td>
</tr>
<tr>
<td>Comp 1</td>
<td>32%</td>
</tr>
<tr>
<td>Comp 2</td>
<td>23%</td>
</tr>
<tr>
<td>Comp 3</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Customer Feedback Survey August 2015
Delivering a compelling customer proposition

- Product is at the heart of everything we do
  - *Famous for Beauty, Gift, Occasionwear and Designers at Debenhams*
  - *Build authority in non-clothing and under-optimised categories*
  - *Brand development track record*
  - *Focus on power brands – fewer but bigger*
  - *Reinforce value for money credentials*
Delivering a compelling customer proposition
Delivering a compelling customer proposition
Delivering a compelling customer proposition
Building a more competitive and economic online business

- Driving sales through improved convenience & availability
  - 9pm cut-off for Next Day Click & Collect
  - Midnight cut off for Next Day Delivery
  - 150 stores enabled for endless aisle
  - Next Day fulfilment options for half our concession partners

- Recovering a higher proportion of fulfilment costs and reducing cost per unit
  - Increased click & collect participation
  - Premium delivery growth
Delivering a flagship online experience

Enhanced Brand Projection

Ninety by Savannah Miller offers a stylish, smart-casual wardrobe that takes you effortlessly from day to evening.

Versatile and ageless, the collection combines luxury textiles with subtle prints and vintage embellishment, whilst layering simple and modern silhouettes in a cool contemporary way.

Find out more

Seasonally Relevant Content

Christmas

- Gifts by recipient
  - Gifts for her
  - Gifts for him
  - Gifts for couples
  - Gifts for kids
- Gift ideas
  - Beauty gift sets
  - Perfume & aftershave
  - Gift cards
  - Food & drinks gifts
  - Hampers
  - Gadgets & novelty gifts
  - Technology gifts
  - Gift experiences
  - Personalised gifts
  - Kitchen gifts
  - Home accessories
- Get your home ready for Christmas

Next day delivery £3.99
Free next day click & collect.

Fabulous gift ideas

- Fabulous Gifts for her
- Fabulous Gifts for him
- Fabulous Gifts for kids

Debenhams
Life made fabulous
Delivering a flagship online experience

Mobile Friendly Development

Re-Launched Mobile App

Mobile made fabulous
With the Debenhams App for iPhone

Download on the
App Store
Focus on UK retail: driving a better return from UK stores

- Optimising 1m sq ft of space
  - Sales density below chain average
  - 80% within the 40 largest stores
  - Add incremental choice
- 350,000 sq ft filled by August 2015
  - Increase space to own brand and extend some brands to more stores
  - New concession partners in sportswear, younger fashion and childrenswear
  - Introducing new café and food brands, eg Costa Coffee, Patisserie Valerie, Ed’s Easy Diner
- 500,000 sq ft filled by April 2016
Driving a better return from UK stores

- Space optimisation moves from trial to roll-out
  - *Average sales uplift from trial space*
    - 30% to date
  - *Target completion of programme by Spring 2018*
  - *Applying lessons to better-performing space and to new/modernised stores*
Driving a better return from UK stores

- Well-invested estate
  - Over 90% of our stores in top retail catchments
  - 50 stores modernised since 2010
  - Mods at Birmingham and Westfield White City complete by Christmas

- Five new stores opening Autumn 2015
  - Improved brand presentation
  - Brand choice edited to local market
  - Multi-channel enabled

- UK pipeline
  - Two new UK stores in next 3 years
  - Ten strategic locations
Expanding the brand internationally

- Exploiting existing routes to market
  - 70 franchised stores, with net two new openings
  - 24 franchised stores in pipeline
  - Continued growth momentum in Magasin du Nord
  - New international website to support accelerated online growth
Accelerating international growth

- Developing new routes to market
  - Multi-channel approach to International markets, eg Cyprus
  - New model in Australia: partnership with subsidiary of Steinhoff Group
  - Selling own brands outside of Debenhams
Operational and organisational effectiveness

- Managing costs tightly
  - Targeting productivity improvements from systems investment
  - Improved order collation for Beauty
- Developing buying and merchandising systems
  - New systems and processes for more joined up approach to buying, range planning and merchandising across geographies and channels
- Category buying opportunity
  - Successful trial in knitwear shows margin, range and availability opportunity
- Restructure the supply chain
  - Single Warehouse Management system on stream April 2016
  - Evaluating further automation opportunities to reduce fulfilment costs
  - Further increase in direct shipping to international markets
Outlook and summary

- Confident in strategy and direction
- Encouraging start to the new financial year
- In good shape to deliver peak trading
- Build on last year’s successful Black Friday and Christmas performance
- Business operationally ready to drive long term sustainable growth
## Space and store numbers

<table>
<thead>
<tr>
<th></th>
<th>Owned space (000 sq ft)</th>
<th>UK owned stores</th>
<th>Int’l owned stores</th>
<th>Int’l franchise stores</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 14 close</td>
<td>12,765</td>
<td>160</td>
<td>17</td>
<td>68</td>
<td>245</td>
</tr>
<tr>
<td>Scunthorpe</td>
<td>34</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Borehamwood</td>
<td>35</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Net floor reduction</td>
<td>(31)</td>
<td>(1)</td>
<td></td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Franchise openings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Franchise closures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3)</td>
</tr>
<tr>
<td>H1 FY 15 close</td>
<td>12,803</td>
<td>161</td>
<td>17</td>
<td>68</td>
<td>246</td>
</tr>
<tr>
<td>Franchise openings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Franchise closures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>FY 15 close</td>
<td>12,803</td>
<td>161</td>
<td>17</td>
<td>70</td>
<td>248</td>
</tr>
</tbody>
</table>
Sources of funding

- Borrowing facilities refinanced in July 2014 to:
  - *Diversify sources of funding*
  - *Reduce reliance on bank funding*
- £225m senior notes
- £425m revolving credit facility (‘RCF’) to October 2018 with option to extend to October 2019
- Expect to achieve a significant reduction in financing costs over the life of the notes compared with anticipated cost of bank funding alone
- £25m senior notes bought back and cancelled in FY 15 and £75m RCF reduction in FY15 to optimise funding structure
Cash tax

- Adopting FRS 101 “Reduced disclosure framework” accounting in subsidiary level companies over FY14 and FY15 provides a cash tax credit

- Under UK GAAP, lease incentives are capitalised and amortised to the first lease break point but under FRS 101 lease incentives are amortised over the life of the lease.

- Cash tax in FY15 was a £1.1m inflow.

- Estimated cash tax outflow c.£15-20m in FY16
Online returns to stores

- A customer can return an item ordered online by one of two methods
  - a) in store
  - b) return to the online warehouse

- In FY15 the majority of online returns were made in store

- Online returns to store have previously been deducted from store sales, in line with the location that the return transaction takes place.

- Reporting updated to recognise as a reduction to online sales, consistent with the revised approach adopted by other department store peers.

- No change to or impact on Group statutory results
Sales growth driven by online and international (prior to adjustment for online returns to stores)

Constant currency LFL +2.1%

UK stores: (0.9%)
UK online: +1.9%
International: +1.5%
Currency impact: +1.1%
LFL: +0.6%
New UK space: +0.7%
International franchises: +0.0%
GTV: +1.3%

Represents contribution to LFL and GTV growth
Online sales and EBITDA growth (prior to adjustment for online returns to stores)

**Group online**

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTV</td>
<td>£487.0m</td>
</tr>
<tr>
<td>GTV growth</td>
<td>+13.1%</td>
</tr>
<tr>
<td>EBITDA growth</td>
<td>+12.3%</td>
</tr>
</tbody>
</table>

**Online history**

- **GTV (£m)**: FY 12, FY 13, FY 14, FY 15
- **% Group GTV**: Online Group GTV, Online GTV as % Group GTV