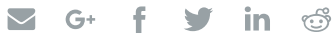

FINANCIAL REVIEW

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Myer trumps David Jones as same-store sales rise 1.6 pc



Reasons to be happy: Myer CEO Richard Umbers expects profits to rise for the first time in seven years and first quarter same-store sales beat those at David Jones. **Wayne Taylor**



by **Sue Mitchell**

Short sellers sceptical about Myer's \$600 million turnaround plan have been forced to [scurry for cover](#) after better than expected first quarter sales showed the new strategy is gaining traction with customers.

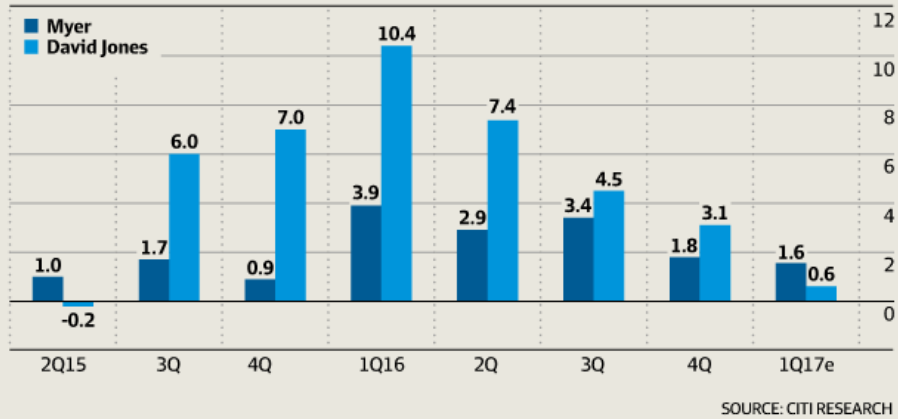
Myer's same-store sales for the October quarter rose 1.6 per cent - [outpacing growth at arch rival David Jones for the first time in two years](#) - as new brands, better customer service and ranges tailored to suit communities lured customers back to flagship and premium stores.

Myer's same-store sales rose 5.5 per cent, compared to two years ago, the strongest growth since its 2009 initial public offer.

Myer chief executive Richard Umbers tweaked his guidance and now expects profits to return to growth in 2017 - the first growth in seven years - both before and after implementation costs.

Role reversal

Myer v David Jones like for like sales growth (%)



"We'll see growth in net profit after tax even post implementation costs going forward," Mr Umbers told the annual meeting in Melbourne.

Mr Umbers also confirmed that earnings before interest, tax, depreciation and amortisation were expected to grow faster than sales this year, in line with strategic targets, suggesting a recovery in margins.

The results exceeded market forecasts and boosted investor confidence in the New Myer strategy.

"Given they were cycling strong like-for-like sales in the comparative period it was a good outcome," said Perennial Value Management portfolio manager Grant Oshry.

"It looks like with the changes they've made with introducing brands customers want, like Industrie, Seed, TOPSHOP and SABA, and merchandising stores to reflect customer demand it's starting to resonate with their core customer," Mr Oshry said.

"It's early, early days but it does seem to be change for the better - it will all come down to how they go in the all-important Christmas trade ... the first quarter is the lowest quarter and the January quarter accounts for one third of annual sales."

Myer is the most shorted stock on the ASX, with 17.5 per cent of shares sold short. The better than expected sales and outlook triggered short covering, sending Myer shares up 14 per cent to \$1.18.

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Company Profile

The operation of a portfolio of 66 department stores across Australia.

<http://www.myer.com.au>

Multiline Retail (255030)

ASIC 119085602

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New strategy helping

Mr Umbers is aiming to restore sales growth across the group to more than 3 per cent a year, lift sales per square metre by 20 per cent by 2020, and grow earnings at a faster rate than sales by being more relevant to Myer's primary customers.

The company is investing \$600 million into [new and refurbished stores and improved online](#) and digital capabilities to claw back market share from David Jones, specialty retailers and fast-fashion chains.

The retailer has exited more than 150 brands and introduced new brands such as TOPSHOP, SABA, Orotan, Industrie and Veronica Maine, upgraded destinations or shop-in-shops for key brands such as Seed, Mimco, Mecca, and G-Star, and strengthened its master private label brands such as Piper and Basque while quitting less successful house brands.

Myer is also diverting labour from head office to stores to boost customer service, hiring change room stylists and personal shoppers.

The latest sales could lead to upgrades from brokers, who are currently forecasting 0.6 per cent revenue growth and 3.8 per cent EBITDA growth in 2017.

"Given widespread weakness in the discretionary retail industry, Myer's sales result is solid," said Citigroup's head of research, Craig Woolford.

"Given poor weather trends and soft trading updates by peers (Big W, Target, David Jones), we see the first quarter trading performance as an indication that the New Myer strategy is gaining traction," said Morgan Stanley analyst Tom Kierath.

Myer's sales growth beat that at David Jones for the first time since the second quarter of 2015, although the numbers are not directly comparable.

Last week, David Jones reported same-store sales growth of just 0.6 per cent in the 19 weeks to November 6, compared with 10.4 per cent growth in the first 20 weeks of 2016, the slowest growth since DJs was acquired by South African retailer Woolworths in 2014.

Myer chairman Paul McClintock announced the appointment of a new non-executive director, JoAnne Stephenson, and flagged plans to step down as chairman by the end of 2017 after a five year term.

