



## DAVID JONES SELECTS AMERICAN EXPRESS AS ITS STRATEGIC ALLIANCE PARTNER FOR ITS GENERAL PURPOSE CARD

- David Jones has selected **American Express** as its Financial Services Strategic Alliance partner for its General Purpose Card (GPC).
- The Strategic Alliance will involve the:
  - **Transfer of DJ's existing store card receivables** to American Express;
  - Development and **launch of a David Jones branded American Express card** in time for the all-important Christmas trading period in 2008.
- David Jones gift cards as rewards to customers will set a new standard for credit card rewards.
- This is a company transforming transaction for David Jones that will deliver significant earnings growth and value to shareholders over time.

David Jones today announced that it has selected American Express as its partner for a long term strategic alliance that will see the launch of a David Jones branded credit card in Australia.

This announcement follows an extensive 3-year review by David Jones and a 14-month tender and negotiation process involving the major Australian and key international financial services companies. This thorough and exhaustive process was undertaken by David Jones to ensure that the best possible deal in the global market place could be delivered to David Jones shareholders.

The David Jones/American Express Financial Services Alliance will encompass the existing David Jones Store Card and the launch of a new David Jones branded American Express card.

### ATTRACTIVE MARKET OPPORTUNITY

David Jones CEO Mark McInnes said, "This is a significant opportunity for our Company to build a future revenue stream in a segment of the financial services market where consumer brands are currently under-represented."

The Australian credit card market is attractive because it is:

- Large (receivables of \$36.9 billion and 11.8 million accounts);
- Growing strongly (averaging 18% p.a. growth in receivables and 6% p.a. growth in number of accounts over the last decade); and
- Very underdeveloped in terms of consumer branded credit card penetration (in comparison to markets such as the US where consumer branded credit cards now account for a large proportion of the credit card industry, having captured share from bank branded products).

Mr McInnes said "We believe that the David Jones American Express card will not only capitalise on the strength of our brand and heritage but will also provide compelling value for customers, in particular through the offering of David Jones gift card rewards which can be earned by using the card.

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
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“The new David Jones American Express card will be launched in time to capitalise on the all-important Christmas 2008 trading period, at which time we will announce further details about the card including the rewards structure,” Mr McInnes said.

Pierric Beckert, American Express Australia’s Managing Director said, “This is an alliance of two great brands and service cultures; together we will deliver an exceptional card product to the Australian market which capitalises on our local strengths and international capabilities.”

American Express will draw on its significant partnership experience with market leading brands such as Qantas, BMW, Singapore Airlines, Air France, Accor, Nectar, British Airways, JetBlue, Starwood, Aeroplan, Thai Airways International, and North American retailers CostCo and Holt Renfrew. To date American Express has more than 550 card partnerships across the globe.

#### **TERMS OF THE DAVID JONES/AMERICAN EXPRESS STRATEGIC ALLIANCE AGREEMENT**

The Strategic Alliance agreement covers the existing David Jones store card and the launch of a new David Jones branded American Express card that can be used not only in David Jones but also at all places where American Express is accepted in Australia and overseas.

#### **FUTURE VALUE FOR DAVID JONES**

- David Jones’ financial services business will deliver a minimum 7.5% EBIT growth p.a. over the FY08 forecast EBIT of approximately \$38 million in the first five years of the agreement. This will be delivered by the revenue stream of the existing portfolio; American Express’ track record in developing and building profitable card portfolios; and the use of David Jones’ distribution network to acquire new accounts. The structure of our alliance and the capabilities of both parties ensure that this result will be achieved.
- We expect the Receivables base to grow to 3-4 times the size of the existing store card receivables base over time.
- The David Jones / American Express alliance will build a substantial business with a growing earnings stream shared by both parties.
- David Jones is bringing 40 years of store card operation and experience to the alliance. American Express is bringing its global infrastructure and as a result, there is minimal capital cost to David Jones associated with start-up, transition and launch.
- American Express will take ownership of the Receivables on 1 August 2008 and will become responsible for the credit policy and the risk associated with the portfolio.
- After the transfer of all of the receivables relating to its Store Card to American Express, \$35-\$40 million of working capital will be released from the David Jones balance sheet. These funds will be invested by David Jones in financing the inventory requirements of new and refurbished stores that are part of the Company’s FY09-FY12 Strategic Plan.
- David Jones’ existing funding arrangement for its Store Card will be terminated on 1 August 2008.

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**EXISTING DAVID JONES STORE CARD**

Mr McInnes said, "The existing David Jones Store Card will remain an important part of our business. Customers can keep their existing Store Card and have the choice to take up the new David Jones American Express card in addition to their Store Card or as a replacement.

**THE DAVID JONES AMERICAN EXPRESS CARD**

"The David Jones American Express card will enable us to capture the spend of our customers both within our stores and outside of our stores and enable them to earn David Jones rewards from all of their credit card spend. David Jones brings over 40 years of store card capability to the table. In addition, we can leverage our growing store network with approximately 10,000 employees to offer the David Jones American Express card to our customers. We expect the gift reward points offered on the David Jones American Express card to generate many new accounts for the alliance.

"American Express will continue to apply the high level of service David Jones has provided to its store card customers and will apply this service level to GPC customers in the future. Service will be provided by a local call centre with a dedicated team," Mr McInnes said.

The American Express merchant network continues to rapidly expand and currently captures more than 80% of card member spending needs within the Australian marketplace. American Express represents one quarter of all external credit cards used in our business and over the last 3 years is the fastest growing tender.

Doug Buckminster, American Express President, International Consumer and Small Business Services, said, "Markets transform when leading brands join together to bring strong value to customers. We are delighted to be partnering with a world-class retailer like David Jones to bring Australian customers valuable card products. Like our other leading co-brand partnerships around the world, including Costco and BMW, our David Jones/American Express customers will enjoy valuable products – all backed by the world class service and personal recognition that American Express customers enjoy."

Mr McInnes said, "We are confident that this new Strategic Alliance will enable both David Jones and American Express to build a long term, solid foundation for a very successful financial services business that delivers strong growth and profit return to both parties."

**CONCLUSION**

Mr McInnes concluded, "This is a very exciting opportunity that will transform our Company, enabling significant long term earnings growth and a strong presence in an under-represented market."

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**FOR FURTHER INFORMATION CONTACT:**

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