

The
Neiman
Marcus
Group



J.P. Morgan High Yield Conference February 4, 2009



Forward Looking Statements Disclaimer

The following information contains, or may be deemed to contain, “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995). By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The future results of the company may vary from the results expressed in, or implied by, the following forward-looking statements, possibly to a material degree. For a discussion of some of the important factors that could cause the company’s results to differ from those expressed in, or implied by, the following forward-looking statements, please refer to the company’s Offering Circular. The company undertakes no obligation to update or revise any forward-looking statements.



Company Overview

Specialty Retail

Neiman Marcus Direct



40 Full Line NM Stores



2 BG Stores



6 Cusp Stores

\$3.45B



\$707M

Catalog \$154M

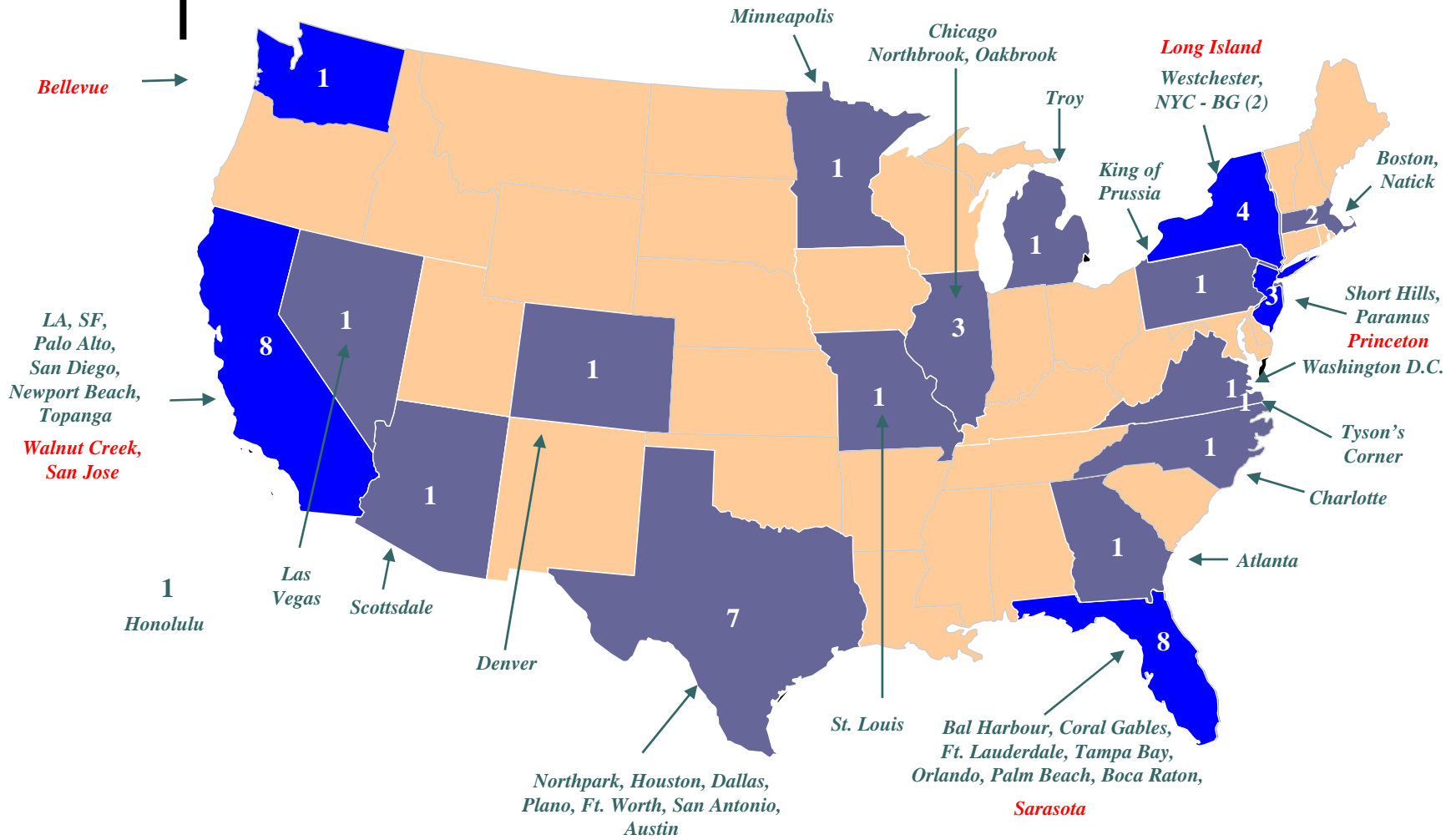
Internet \$553M

LTM Revenue:

\$4.2 Billion*

* Note: LTM revenue is as of Q2 FY09.

Prime Store Locations



Geographically diverse store base in premier locations in the nation's most affluent markets



Competitive Advantages



Attractive Market & Customer Demographics



Professional, Relationship-Focused Salesforce



Highly Productive Selling Model



Unique Customer Loyalty Program



Strong Relationships with Diverse Group of Vendors



Proven Multi-Channel Model

Consumer Trends

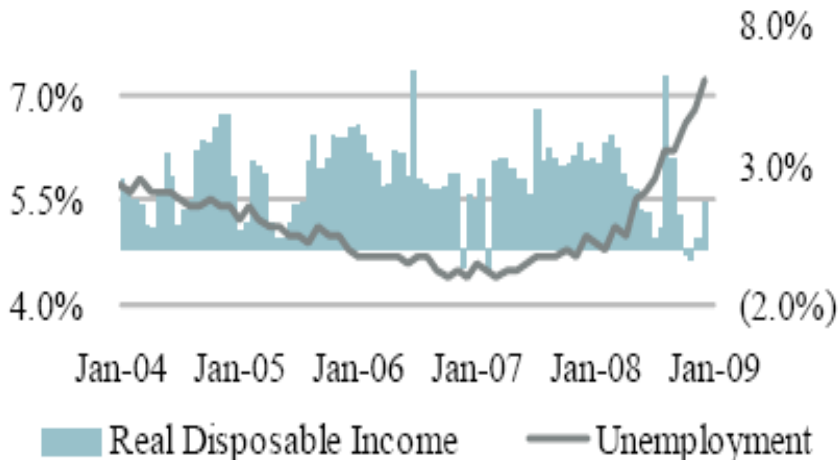
Average Consumer

- **“Willingness to Spend”** deteriorated
- **“Ability to Spend”** pressured
- **Challenging Macro Environment**
 - **Job Market**
 - **Available Credit**
 - **Housing Market**

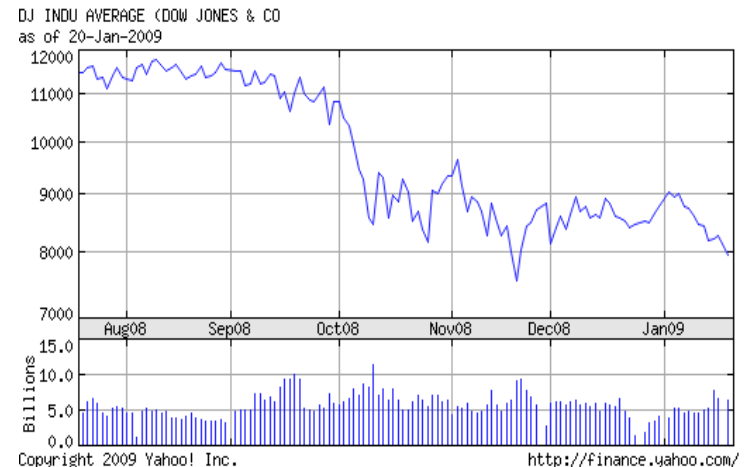
Luxury Consumer

- **“Desire to Spend”** diminished
- **“Ability to Spend”** remains
- **Challenging Macro Environment**
 - **Continuing Volatility of Financial Markets**
 - **Emotional Effect vs. Financial**

Consumer Trends (1)



Dow Jones Industrial Average





Responses to a Downturn

Revenue Levers

- Hold additional selling and promotional events to drive full price selling
- Increase discount levels
- Develop additional programs to incentivize sales force

Inventory / Margin Levers

- Work with vendors to reduce inventory commitments, return products and obtain additional vendor markdown participation
- Experienced buying group able to implement strict buying plans to reduce future purchases

Expense Levers

- Implement disciplined expense controls
- Evaluate organizational structure

Capital Levers

- Delay projects
- Increase scrutiny of all projects
- Reduce scope of projects



Focused Expansion Strategy

	STATE	COMPLETION DATE	SQ. FOOTAGE
New Stores			
Topanga	California	September 2008 (Opened)	120,000
Bellevue	Washington	Fall 2009	125,000
Sarasota	Florida	Fall 2011	80,000
Walnut Creek	California	Fall 2011	92,000
San Jose	California	Fall 2012	100,000
Princeton	New Jersey	Fall 2013	80,000
Long Island	New York	TBD	150,000
Cusp			
Chestnut Hill	Massachusetts	August 2008 (Opened)	6,000
Water Tower Place	Chicago	November 2008 (Opened)	6,000

Topanga, CA – Topanga Plaza



 **Opened: September 2008**

 **120,000 square feet**

Bellevue, WA – The Bravern



 **Scheduled opening: Fall 2009**

 **125,000 square feet**



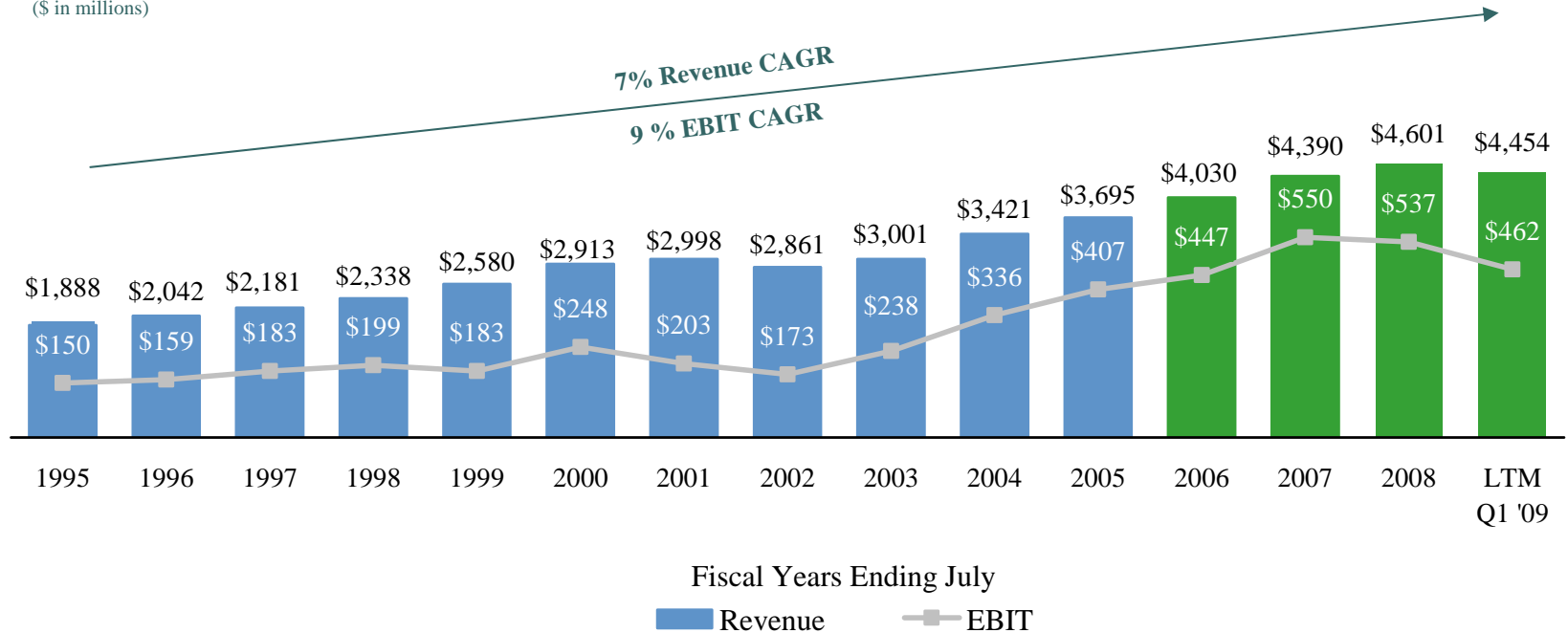
Financial Overview



Historical Financial Performance

Historical Financial Performance

(\$ in millions)



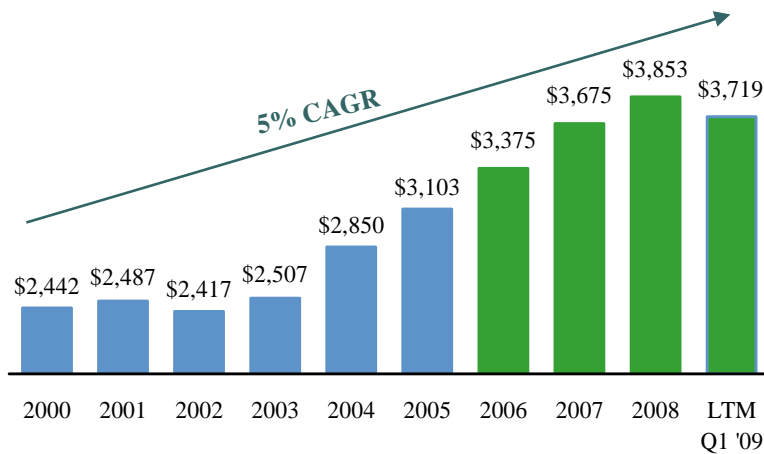
Note: All information for 2000 and thereafter reflects the change in classification of revenues deferred in connection with the Company's loyalty programs. EBIT figures exclude non-recurring items. FY 2002 and FY 2008 reflect 53 weeks.

Operating earnings are adjusted to exclude amortization of customer lists and favorable lease commitments, purchase accounting adjustments, transaction and other costs and other non-recurring items.

Financial Metrics

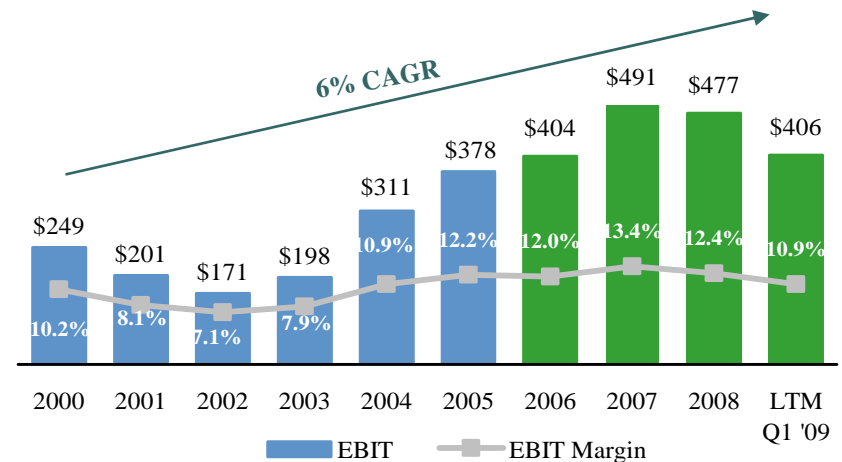
Specialty Retail Revenue

(\$ in millions)



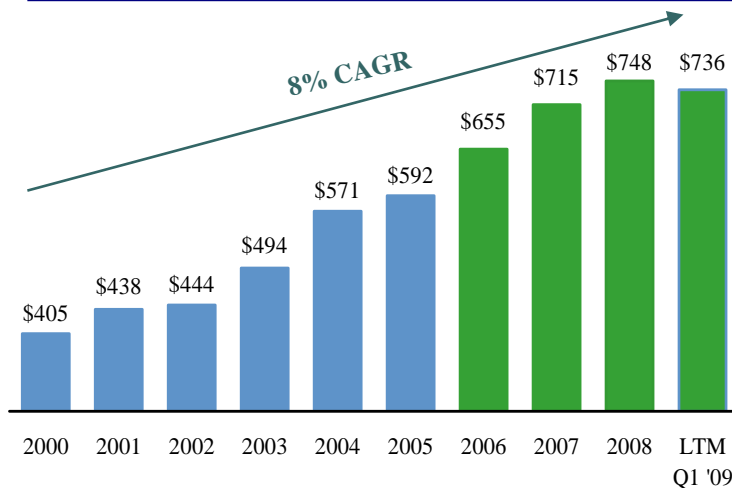
Specialty Retail EBIT

(\$ in millions)



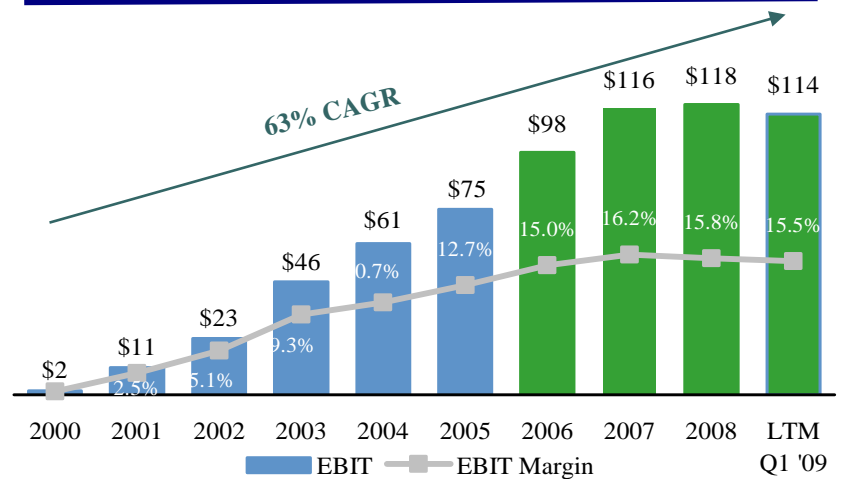
NMD Revenue

(\$ in millions)



NMD EBIT

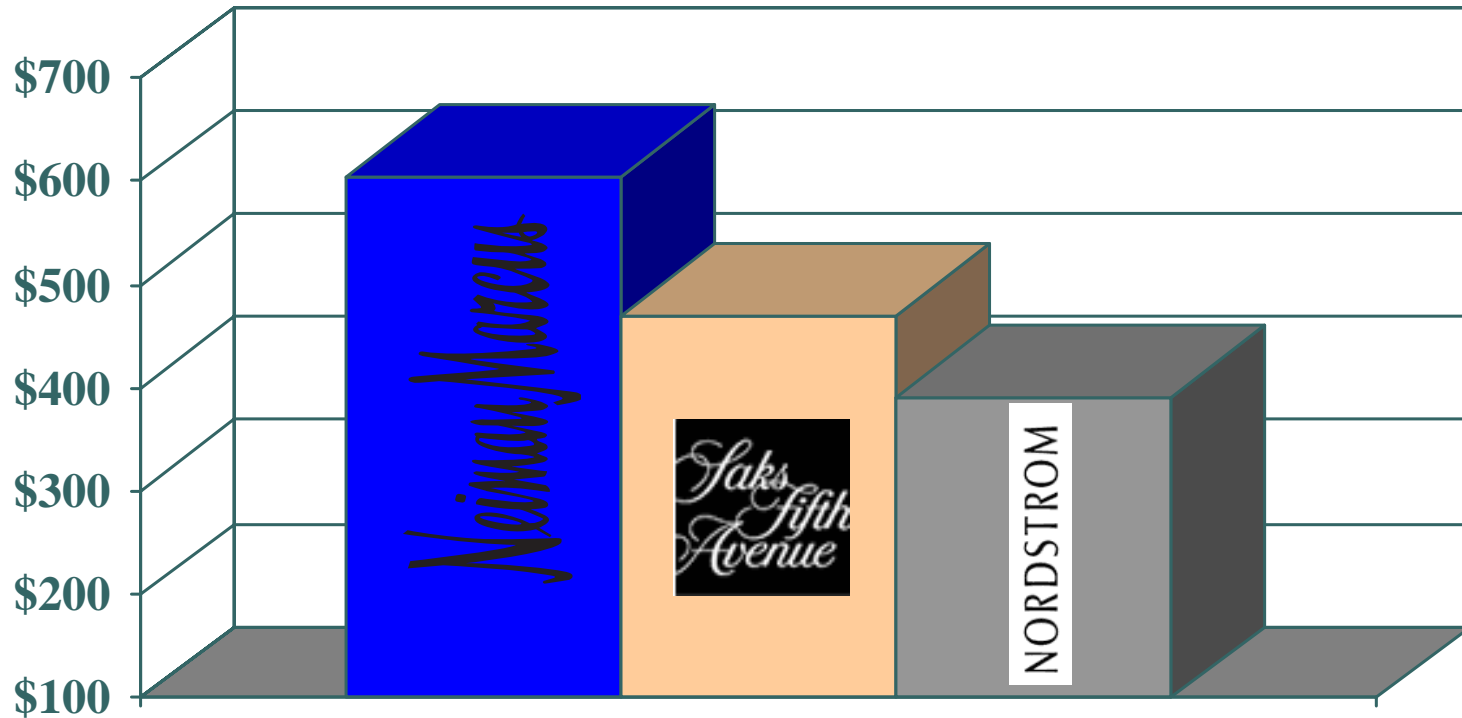
(\$ in millions)



Note: Specialty Retail revenue reflects the change in classification of revenues deferred in connection with the Company's loyalty programs.

Superior Performance

Sales Per Square Foot



Note

Figures are from LTM ending November 1, 2008. NMG data is for the Specialty Retail segment only (Full line Neiman Marcus Stores and Bergdorf Goodman). SFAE is estimated Saks Fifth Avenue stores and internet sales (excludes estimated clearance center sales).



NMG Financial Summary

(\$ in millions)	<u>Q1 '09</u>	<u>Q1 '08</u>	<u>% change</u>
Total Sales	\$986	\$1,132	-12.9%
Comparable Sales Increase	-14.5%	6.5%	
Adjusted Operating Earnings*	\$82	\$157	-48.1%
Adjusted Operating Margin	8.3%	13.9%	
Merchandise Inventories	\$1,084	\$1,086	-0.1%
Capital Expenditures	\$33	\$46	

Source – Neiman Marcus, Inc. FY2009 Q1 Earnings Release (for the fiscal period ended November 1, 2008).

*Adjusted Operating Earnings represents operating earnings excluding other income/expense.

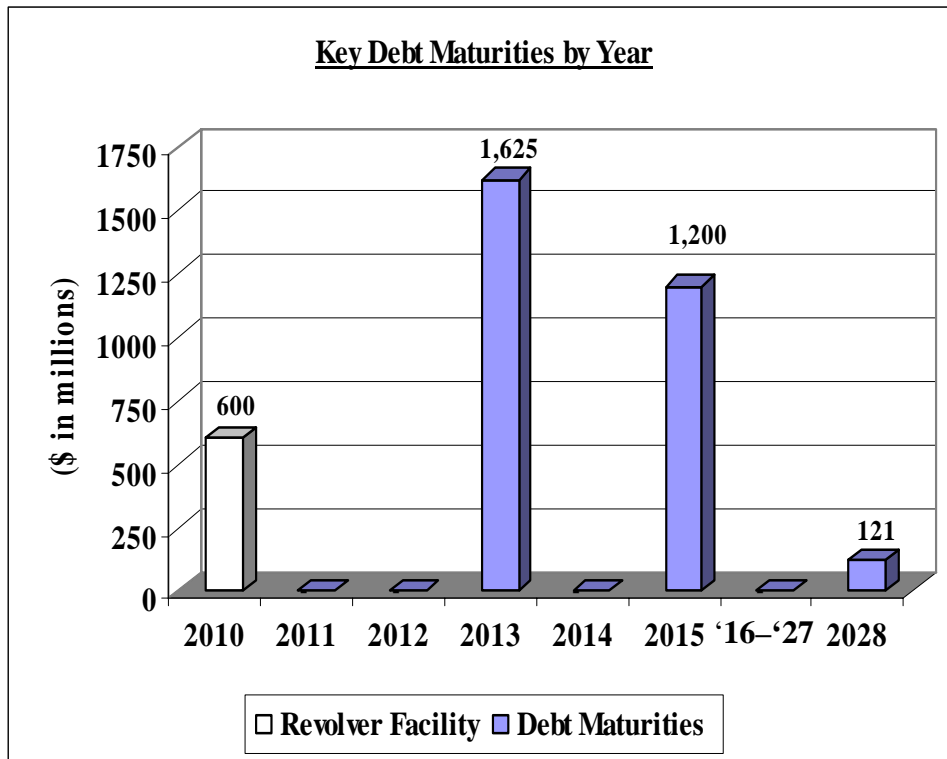


Other Financial Information

(\$ in millions)

	<u>Q1 FY '06</u>	<u>FY '06</u>	<u>FY '07</u>	<u>FY '08</u>	<u>Q1 FY '09</u>
Cash	\$192	\$224	\$141	\$239	\$115
Debt Paydown	\$0	\$250	\$250	\$0	\$0
Revolver Availability	\$434	\$571	\$573	\$576	\$576
Leverage Ratio	6.5x	5.6x	4.3x	4.3x	4.8x

Debt Maturities & Liquidity



Liquidity

Q2 FY'09E

Cash Balance	\$220
Revolver Availability	<u>576</u>
Total	\$796

Creating Additional Liquidity

Actions to create additional liquidity:

- Reduce inventories
- Reduce capital spending
- Constrain discretionary expenditures
- Exercise PIK toggle on senior notes



Comparable Store Sales

	Nov FY'09	Dec FY'09	Jan FY'09	Q2 FY'09
Neiman Marcus Group	-11.9%	-27.5%	-24.4%	-22.8%
Specialty Retail	-11.8%	-31.2%	-25.8%	-25.0%
Neiman Marcus Direct	-12.3%	-9.2%	-18.3%	-12.1%

Reconciliation of Adjusted Operating Earnings

(\$ in millions)	Thirteen weeks ended November 1, 2008	Thirteen weeks ended October 27, 2007
OPERATING EARNINGS:		
Specialty Retail Stores	\$ 94	\$ 166
Direct Marketing	19	23
Corporate expenses	(14)	(14)
Amortization of intangible assets	(18)	(18)
ADJUSTED OPERATING EARNINGS	\$ 82	\$ 157
Other income	0	33
OPERATING EARNINGS	\$ 82	\$ 190
Depreciation & Amortization	57	53



Reconciliation of Adjusted Operating Earnings

(\$ in millions)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>LTM</u> <u>Q1 '09</u>
Operating Earnings (Reported)	194	176	214	332	397	329	477	466	358
Adjustments:									
Amort. of customer lists & favorable leases						60	72	72	72
Non-cash items related to valuation adjustments						34			
Pension curtailment gain								(33)	
Impairment of Horchow tradename							12	31	31
Proceeds from investment in an Internet retailer							(4)		
Other income related to aged, non-escheatable gift cards							(6)		
Transaction and other costs						24			
Loss on disposition of Chef's Catalog					15				
Gain on sale of private label credit card portfolio					(6)				
Impairment of Chef's Catalog tradename				4					
Intangible writedown			24						
Change in vacation policy		(17)							
Impairment and other charges	10	13							
Operating Earnings (Adjusted)	203	173	238	336	407	447	550	537	462

Note – Figures may not add due to rounding. For further details please refer to the Company's 10-K filings.

The
Neiman
Marcus
Group

