

## COMPANY ANNOUNCEMENT

12 February 2018

# JB Hi-Fi Limited Half Year 2018 Results

### HY18 Highlights<sup>1</sup>

- Total sales up 41.0% to \$3.7 billion
- EBIT up 24.9% to \$225.8 million
- NPAT of \$151.7 million, up 21.0% on underlying NPAT in the pcp (up 37.4% on statutory NPAT in the pcp)
- EPS up 13.7% to 132.2 cps
- Interim dividend up 19.4% to 86 cps

### HY18 Trading Performance

JB Hi-Fi Limited ("Company") today reports net profit after tax (NPAT) up 21.0% to \$151.7 million (HY17: \$125.4 million) from \$3.7 billion of sales (HY17: \$2.6 billion) for the half year ended 31 December 2017 (HY18). Total sales growth for HY18 was 41.0%. Group EBIT was up 24.9% on the pcp to \$225.8 million and EPS was up 13.7% to 132.2 cps.

Group CEO, Richard Murray, said "We are pleased to have delivered record sales and earnings in the first half. It was another strong result for the JB HI-FI business in Australia, particularly through the important November and December periods. We are pleased with the progress we have made at The Good Guys and are confident about the future opportunities for the Group."

### **JB HI-FI Australia**

Total sales grew by 10.8% to \$2.48 billion, with comparable sales up 7.8%. Key growth categories were the Communications, Computers, Audio, Drones and Games Hardware categories. Online sales grew 40.6% to \$119.3 million or 4.8% of total sales, as the Online offer continues to improve. The Solutions business recorded double digit sales growth and remains on track to deliver on the longer term aspirational sales target of approximately \$500 million per annum, through both organic growth and strategic acquisitions.

Gross profit increased by 9.8% to \$545.3 million resulting in a gross margin of 22.0%. CODB was 13.8%, down 17 bps on the pcp. Total operating costs remained well controlled as the business managed increased volumes through the store network driven by new products, Click and Collect, Online and Commercial order fulfilment. The business's low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising unnecessary expenditure.

Strong sales growth, combined with operating cost leverage, drove strong earnings growth. EBIT was up 10.9% on the pcp to \$183.7 million with EBIT margin flat at 7.4%.

### **JB HI-FI New Zealand**

Total sales were down 0.4% to NZD124.6 million. Comparable sales for HY18 were up 2.4%, with Q2 comparable sales up 8.7%. Following the launch of the new website in August 2017, Online sales in New Zealand grew 89.8% to NZD4.8 million or 3.8% of total sales. Gross Margin was down 169 bps on the pcp at 17.5%. During HY18, one store in New Zealand was closed and whitegoods have been exited, with the four JB HI-FI HOME stores rebranded to JB HI-FI. The store closure impact to sales was NZD4.6 million and included in the HY18 result are one-off costs associated with the store closure and exit of Whitegoods of NZD0.4 million.

### **The Good Guys**

Total sales for the six months to 31 December 2017 were \$1.10 billion. With The Good Guys acquired on 28 November 2016, in HY17 the Company consolidated only one month's sales. As a result, sales in HY18 on a statutory basis were up 318.0%. For comparative purposes for the same six months (July to December), total sales were up 2.4% with comparable sales up 1.8%. Key growth categories were Seasonal Products, Cooking, Communications, Visual and Dishwashers. Online sales for the period were down 1.7% to \$72.7 million or 6.6% of total sales.

<sup>1</sup> Unless otherwise stated, all HY17 results and references to growth on the pcp in this announcement are based on HY17 underlying results which exclude transaction fees and implementation costs totaling \$15.3m associated with the acquisition of The Good Guys in November 2016. Refer to the JB Hi-Fi Limited HY18 Results Presentation (Appendix I) for reconciliations of HY17 statutory and underlying results.

## JB Hi-Fi Limited

Gross profit was \$228.6 million with gross margin at 20.8%. CODB was 16.2%, with operating costs in line with expectations and store wages well controlled. EBIT was \$42.0 million.

“It was pleasing to see sales growth in The Good Guys throughout the half whilst we continued to take a considered and deliberate approach to change. Having owned The Good Guys for over 12 months we are now starting to realise the benefits of the scale of the combined group and remain excited by the opportunity to grow one of Australia’s leading retail brands” said Group CEO, Richard Murray.

### Stores

The Company had a total of 311 stores in Australia and New Zealand as at 31 December 2017. During HY18, seven new JB HI-FI stores were opened in Australia and one JB HI-FI store was closed in New Zealand. Two new The Good Guys stores were opened in HY18.

### Capital Management

The Board has today declared an interim dividend of 86 cents per share fully franked, up 19.4% from the pcg and in line with the Company’s dividend payout ratio of 65%. The Board believes that the dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The interim dividend will be paid on 9 March 2018. The record date for determining the entitlement is 23 February 2018.

### Outlook

January 2018 sales update:

- total sales growth for JB HI-FI was 6.9% (January 2017: 9.8%) with comparable sales growth of 4.5% (January 2017: 7.2%); and
- total sales growth for The Good Guys was -3.5% (January 2017: 5.0%) with comparable sales growth of -4.7% (January 2017: 3.5%). The Good Guys sales growth in January was impacted by cycling strong sales of Seasonal products (Air Conditioning) in the pcg.

FY18 Guidance:

- In 2HY18 we expect our focus on sales and market share, and continuing changes to sales mix, to result in sales growth exceeding gross profit dollar growth. As a result, in FY18 the Company expects:
  - total Group sales to be circa \$6.85 billion (JB HI-FI \$4.75 billion and The Good Guys \$2.1 billion); and
  - total Group NPAT to be in the range of \$235 million to \$240 million, an increase of 13.1% to 15.5% on underlying NPAT in the pcg.

Group CEO, Richard Murray, said “We are pleased with our performance in the first half of the 2018 financial year. We are clear on our objectives for the next 12 months and are excited in the outlook for the business”.

\*\*\*\*\*

#### Media & Investors:

Richard Murray  
Group Chief Executive Officer  
03 8530 7303

#### Investors:

Nick Wells  
Group Chief Financial Officer  
03 8530 7303