



Macquarie Australia Conference

May 2012



Sales

Sales – signs of improvement!

- Expect to achieve previously announced FY12 sales target of circa \$3.1 billion.
- Sales growth for the March quarter FY12 for JB Hi-Fi branded stores in Australia and New Zealand was 8.8% and comparable store sales growth was +1.3%.
- Sales improved over the quarter with January 2012 comparable store sales growth being -5.5%, February +4.9% and March +5.2%.
- Sales growth for JB Hi-Fi branded stores in Australia and New Zealand for the 9 months to 31 March 2012 was 7.3% and comparable store sales growth was -1.3%, up from -2.2% at the half year.





Gross Margin



Gross Margin – competitive environment

- Gross margin was impacted by a number of factors, primarily market-wide discounting.
- We believe that the high level of discounting is the result of increased tactical activity as competitors fight for market share, seek to clear excess and aged inventories and close stores, and is not sustainable over the longer term.
- We anticipate that this level of discounting will continue over the next quarter but we do not believe that this is a long term structural change.
- Short term pain long term gain.
- We continue to gain improved levels of supplier support.
- In the current challenging trading environment it is more difficult to achieve the top tier of volume based incentive targets with suppliers - this impacted our gross margin by 19 bps during HY12.

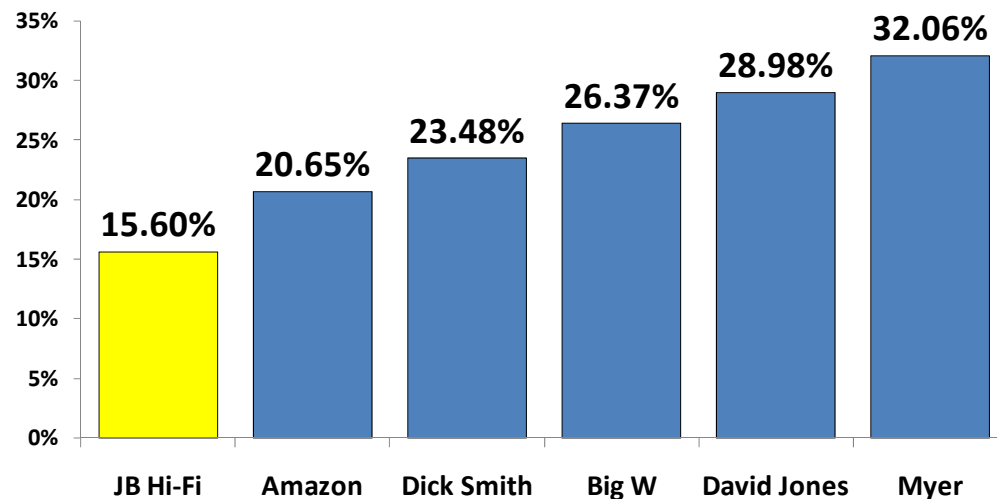


Cost of Doing Business

Cost of Doing Business

- Our low cost of doing business (CODB) enables us to operate at healthy profit margins notwithstanding competitor activity. This is driven by high sales per square metre and an obsession with not letting waste and inefficiency creep into our cost structure.
- Over the March quarter we improved our cost of doing business percentage over the same period last year.
- 2 separate award wage increases within the past 2 years – impacted CODB by 49 bps in the 18 months to 31 December 2011.
- Lowest CODB of listed retailers in Australia.
- Increasing scale continues to deliver cost reductions which we expect will flow in FY13.

CODB as % of Sales (F2011)



Source: Morgan Stanley Research (30 April 2012)



Growth will continue over the long term



Growth will come from multiple areas.

- New stores
 - Approximately 50 stores still to open, solid pipeline of properties.
 - Will continue our disciplined approach to selecting new stores.
 - Major shopping districts.
 - High foot traffic locations.
- Existing store sales growth
 - Convenient and easily accessible locations with high foot traffic generates impulse sales.
- Market share gains
 - Continued growth in market share.
- Many categories still have above average growth opportunities
- Commercial and Insurance
 - See significant opportunities to grow both these divisions over the next 2 to 3 years.
- Online and Digital

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Industry Consolidation



JB Hi-Fi is well positioned to benefit from industry consolidation.

- Dick Smith restructure / sale
 - Circa 100 stores to close.
 - Business being actively marketed for sale.
 - Approximately \$1.5b sales in FY11.

- WOW Sight & Sound
 - All 15 stores have closed.
 - \$250m in reported sales in FY11.

- Others potentially over the short to medium term

- JB Hi-Fi will continue to offer a real point of difference and is well positioned to capitalise on any industry consolidation.



Online



Online – multichannel strategy is key!

- Online and Mobile site is vital to give customers a choice on how they wish to shop with JB Hi-Fi.
- Focus on making transacting as easy as possible.

ONLINE ONLY
DIRECT IMPORT

Direct to you from overseas distributors of BIG BRAND products.

CLICK TO LEARN MORE ►

ONLINE ONLY
FACTORY SCOOP
WHILE STOCKS LAST!

Kaiser Baas
Personal
Media
Player 83616

\$95
+\$9 DELIVERY

CLICK FOR DETAILS ►



Digital

- ❑ Digital strategy offers great future growth opportunities.
 - JB HI-FI NOW was launched on 13th December 2011.
 - Mobile app has now launched and advertising of the service will now intensify.
 - Will use digital to assist in driving physical sales via “buy now” buttons - ability to use NOW site to preview and shop for physical.
- ❑ JB Hi-Fi has some key competitive advantages which will assist in the success of our digital strategy.
 - We have strong credibility in Music, Movies and Games.
 - Solid relationships with suppliers due to our #1 physical sales position.
 - One of the largest sellers of portable devices in Australia so good add on opportunities.
 - Strong youth following.
 - Ability to package and promote the JB HI-FI NOW service with many of the products we sell.

JB HI-FI NOW
MOBILE
APPS ARE HERE

Learn More

The banner features two smartphones displaying the JB HI-FI NOW mobile app interface. The left phone shows a music playlist with tracks like 'The Shear 4's', 'Shining From The Sun', 'Loving In Bankers', and 'Lights Out'. The right phone shows a 'What's Hot' section with tracks like 'The Essential Whitney', 'Born To Die', 'Falling & Flying', 'Sunshine', 'Bungarung EP', 'The Ultimate Collection', and 'Dear Wayne & Neelganga'. A 'Learn More' button with a play icon is located in the bottom right corner.

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Customer education and engagement

- Successful retail formats engage and entertain customers.
- The growth of online has heightened this need for differentiation.
- The JB model has always engaged, educated and entertained customers with our product range, merchandising and knowledgeable staff.
- We must continue to innovate to maintain our relevance to customers.



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Challenges may still lay ahead!



We can't escape the reality of the market, but we can and will continue to innovate and adapt to help mitigate any impacts. Long term this will make us stronger.

Sales

- Price deflation
 - Strength of dollar.
 - Global pricing.
 - Supplier drive for market share.
 - We however expect deflation to slow as new models enter the market combined with merchandising changes.
- Store clearance programs – store closures by the competition.
- Digital migration, but physical will still remain.

Gross Margin

- Store clearance programs - closure by competition.
- Retailer's ongoing "battle for share".

Costs

- Wage increases?



The JB model has many benefits versus other retail models



JB Hi-Fi is often compared to other electronic retail models around the world but there are significant differences.

- Unique model, high energy, engaging and entertaining retail format.
- Operate in high foot traffic locations.
- Smaller compact store size (i.e. 2.5x smaller than BBY¹).
- Sales per square metre are high (i.e. double that of BBY¹).
- Our relatively lower market share gives us more scope to expand and grow.
- Low cost of doing business.
- Good opportunity for JB to expand online
 - JB Online sales made up 1.4% of our total sales during HY12 (vs. circa 6% for BBY¹).

¹ Source: Morgan Stanley Research (20 November 2011)



We will maintain our position as market leader



- We have an unique model, high energy, engaging and entertaining retail format that differentiates us and gives consumers a reason to visit our stores.
- High foot traffic and easy accessible locations (i.e. shopping centres, homemaker centres).
- Compact locations – not big box.
- Highly productive stores, high sales per square metre.
- Discount retail heritage – know how to operate in this space.
- Low cost of doing business – its cultural – others need to adapt to a low cost culture.
- Industry consolidation – opportunity to increase sales.
- High level of deep discounting can't continue.
- Price deflation should slow.
- Company owned stores – consistent pricing, merchandising and customer experience.
- Disciplined store opening strategy – high grade locations, high foot traffic locations.



INVESTMENT CHECKLIST



- ✓ Strong and unique retail model.
- ✓ Operates mainly in the dynamic home entertainment and technology sector.
- ✓ Low cost of doing business – best of listed retailers.
- ✓ Many new store opportunities
 - JB Hi-Fi branded stores circa 214 (164 Tier 1 format and 50 Tier 2 format) in Australia and New Zealand (total of 161 as at HY12).
- ✓ Good continued growth from existing categories, such as computers and telco.
- ✓ Online and digital strategies designed to leverage off existing strong brand heritage.
- ✓ Size and continued high growth gives us great buying power and advertising synergies.
- ✓ Low capital investment and high return on invested capital.
- ✓ Proactive capital management initiatives including 60% dividend payout ratio.
- ✓ Strength and depth of board and management.



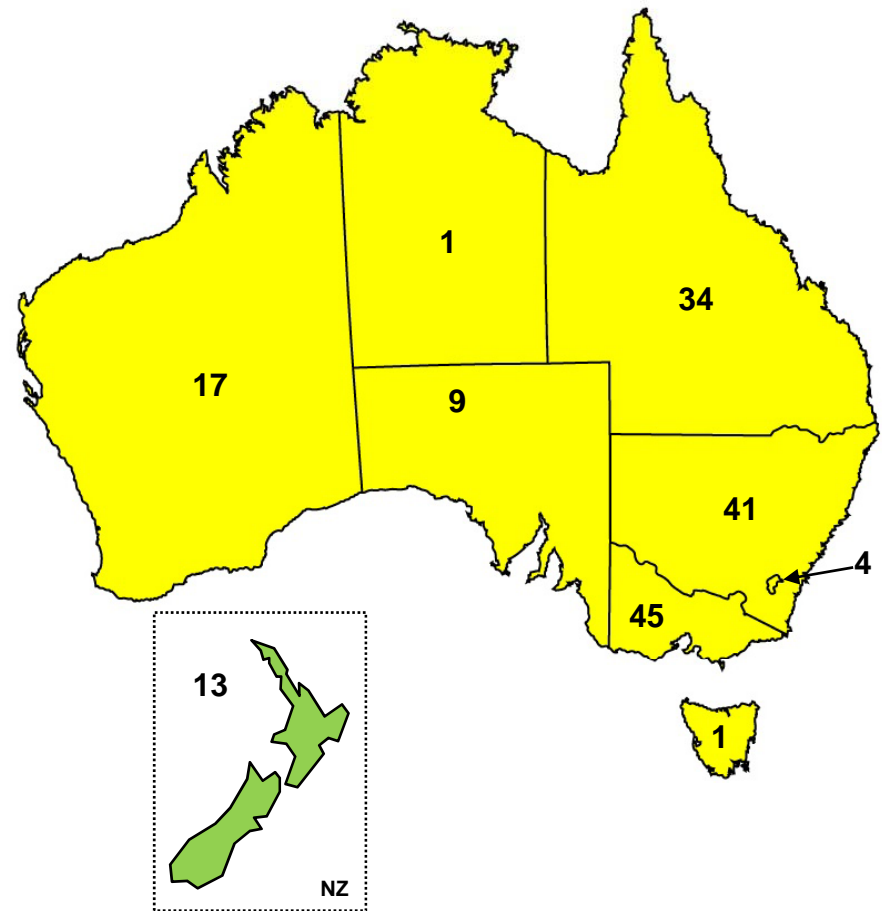
Appendix I



Store movements during HY12

	FY11	HY12		
		Opened	Closed	Total
Australia				
JB - Tier 1	123	8	-	131
JB - Tier 2	16	2	(1)	17
	139	10	(1)	148
Clive Anthonys	5	-	(1)	4
	144	10	(2)	152
New Zealand				
JB - Tier 1	9	-	-	9
JB - Tier 2	4	-	-	4
	13	-	-	13
TOTAL	157	10	(2)	165
JB Hi-Fi store type:				
Tier 1	132	8	-	140
Tier 2	20	2	(1)	21
	152	10	(1)	161
Store format:				
Shopping centres	78	4	-	82
Other	79	6	(2)	83
	157	10	(2)	165

Geographic breakdown#



as at 31 December 2011

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