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# JB Hi-Fi Limited



**Full Year Results Presentation**

**30 June 2009**

**11 August 2009**

# Agenda

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1. Performance
2. Historical Performance
3. Trading Update
4. Financial Detail
5. Dividends
6. Store Update
7. Investment Checklist

**Richard Uechtritz**  
CEO

**Richard Murray**  
CFO

# 1. PERFORMANCE

Strong performance for 12 months to 30 June 2009



	FY08	FY09	Growth
q Sales	\$1.83b	<b>\$2.33b</b>	27.3% <span style="color: green;">↑</span>
q Gross Margin	21.9%	<b>21.6%</b>	-22 bps <span style="color: red;">↓</span>
q Cost of Doing Business	15.3%	<b>14.5%</b>	-77 bps <span style="color: green;">↓</span>
q EBIT Margin	5.6%	<b>6.1%</b>	+51 bps <span style="color: green;">↑</span>
q NPAT	\$65.1m	<b>\$94.4m</b>	45.1% <span style="color: green;">↑</span>
q Earnings per share	61.8 cps	<b>88.3 cps</b>	42.9% <span style="color: green;">↑</span>
q Return on Invested Capital	35.5%	<b>50.2%</b>	+14.7% <span style="color: green;">↑</span>
q Total dividend - fully franked (Final dividend - fully franked * = 29.0 cps)	26.0 cps	<b>44.0 cps</b>	69.2% <span style="color: green;">↑</span>

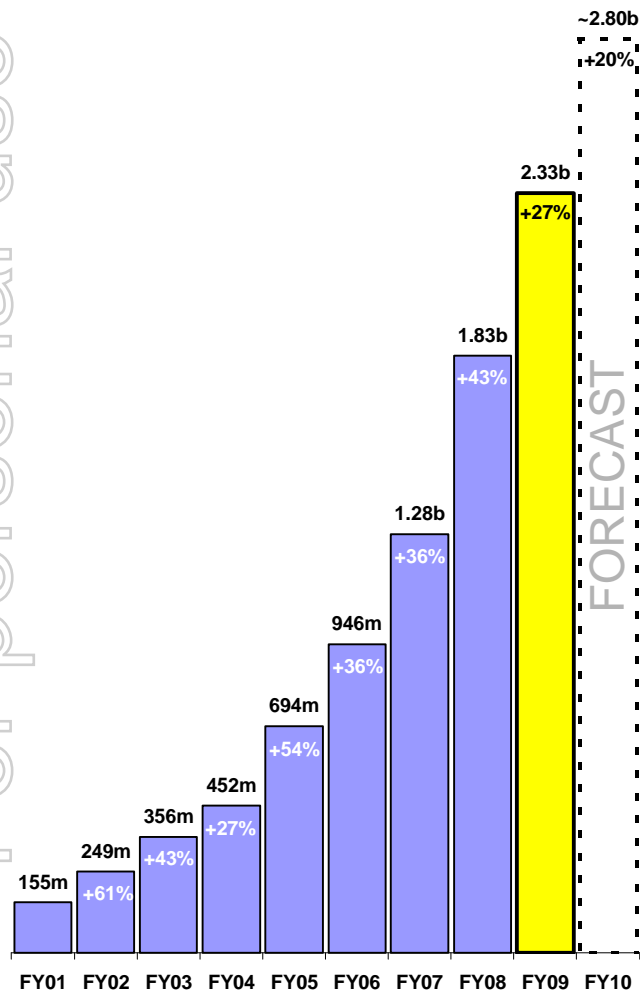
\* to be paid 9 September 2009 (record date 21 August 2009).

## 2. HISTORICAL PERFORMANCE

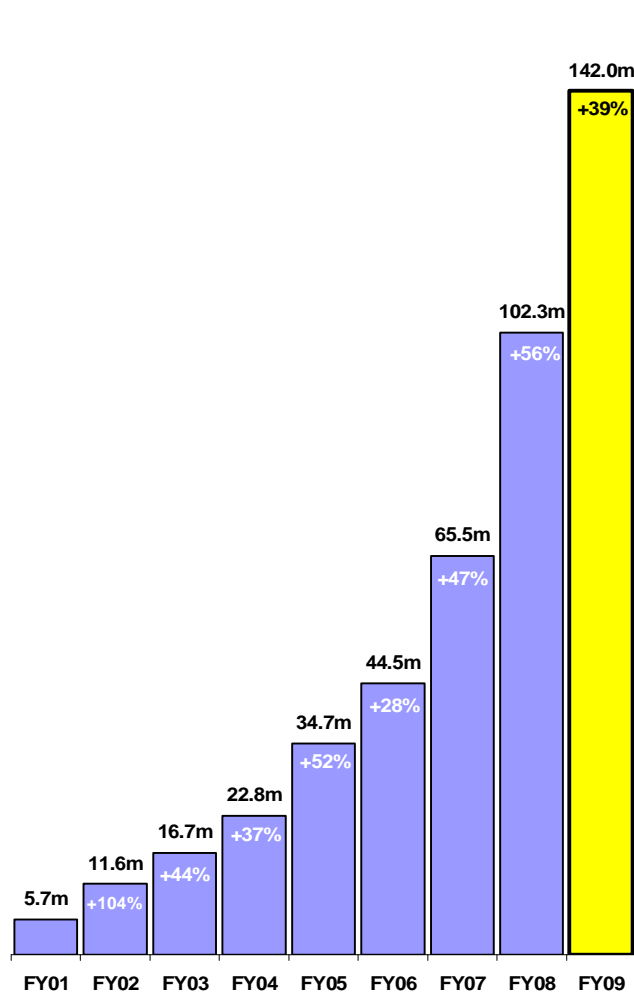
Strong growth in sales & earnings since MBI in July 2000



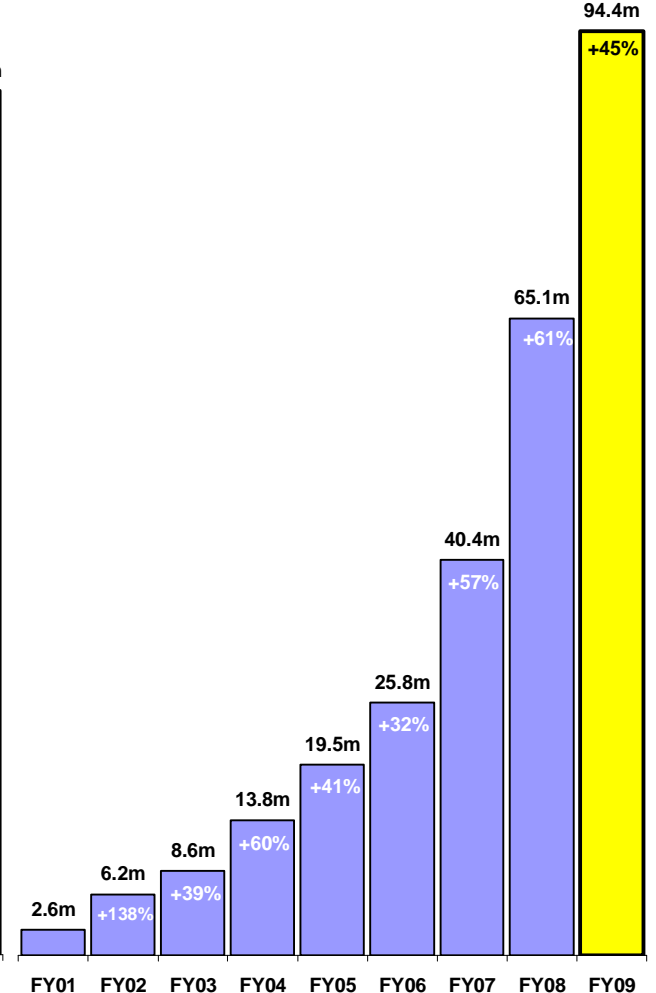
### SALES +27%



### EBIT +39%



### NPAT +45%



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### 3. TRADING UPDATE



#### Trading Performance

- § Strong result – the company has traded well through what is considered to be the weakest retail climate for many years.
- § Consolidated comparable store sales growth for FY09 was 11.5%.
- § Reinforces the strength and resilience of our unique retail model.
- § JB's huge range and every day low price offering continues to resonate with customers.
- § Home entertainment becoming more of a staple category as consumers keep up with technology.
- § Continue to grow our market share as recently opened stores mature, we open new stores, expand our product offering and reduce our prices on the back of increased economies of scale and a continued focus on costs.
- § Games and Computers/IT continued to grow strongly.
- § Music continues to prove very resilient.

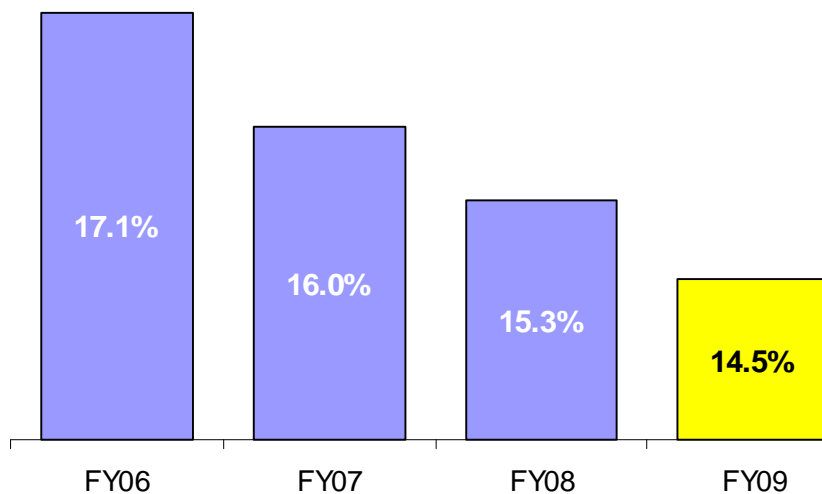
### 3. TRADING UPDATE....



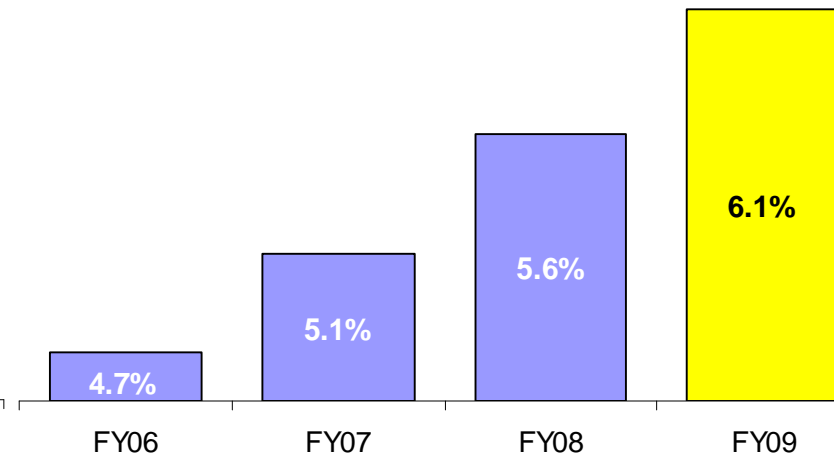
#### Financial Metrics

- § Gross margin at 21.6% (pcp: 21.9%) was pleasing given the tough competitive environment, the growth of lower margin product categories of games and computers, the continued roll-out of JB Hi-Fi New Zealand and our investment in everyday low prices.
- § Cost of doing business was down 77 bps to 14.5% (pcp: 15.3%), driven by our low cost culture, operating leverage, labour productivity and marketing economies of scale.
- § Our lower cost of doing business (CODB) has allowed us to manage the impact of product mix on our gross margins, support our every day low pricing philosophy and improve our earnings margin.
- § CODB reductions have been achieved whilst we have pursued an aggressive store rollout program, opening 50 new stores in the last 3 years.

Cost of doing business



EBIT Margin



### 3. TRADING UPDATE....



#### **New Stores**

- § Opened 16 new JB Hi-Fi stores (Aust: 13, NZ: 3) and 3 Clive Anthony's stores during FY09.
- § 3 stores were relocated in Australia.
- § Planning to open circa 18 stores across Australia and New Zealand in FY10.

#### **Australia**

- § Sales grew 27.1% to \$2.2b with comparable store sales up 11.9%.
- § Gross margin remained stable at 21.9% (down 26 bps) - pleasing given the growth of lower margin categories and a competitive market place.
- § Cost of doing business down 69 bps to 14.3%.
- § Sales in July and August to date have met internal expectations.

#### **New Zealand**

- § Sales grew 37.7% to NZ\$150.3m with comparable store sales up 8.8% driven by the JB branded stores.
- § Comparable store sales growth pleasing given the weak NZ economy and competitive market.
- § Gross margin improved to 16.9% (up 69 bps).
- § Cost of doing business down 227 bps to 18.1%.
- § Sales in July and August have shown positive growth on last year however trading in NZ remains tough.

### 3. TRADING UPDATE....



#### Trading Outlook

- § We expect to have another good year of sales and earnings growth.
- § Visual, Computers/IT, DVD and Telco should continue to drive comparable store sales.
- § Confident of continued solid growth in most categories and market share gains in all.
- § In New Zealand 3 JB stores opened in FY09 and will contribute positively to earnings in NZ this year.
- § Home entertainment sales have proven somewhat resilient to the current economic climate and should continue to be so.
- § Expect sales in FY10 of circa \$2.8 billion or a 20% increase over FY09.
- § Target of 210 JB branded stores (160 large format and 50 smaller format) in Australia and New Zealand – giving us 6 to 7 years of continued strong growth (current number of JB stores 106).

#### Industry

- § Continues to consolidate – big getting bigger/stronger (JB Hi-Fi, HVN, Good Guys), number of other players struggling.
- § Large retailers will come out of downturn in an even stronger position.
- § All categories remain very competitive.
- § Games, Visual, Computers/IT and Telco all have good growth forecasts.



## 4. FINANCIAL DETAIL

### Profit and Loss Statement



	AUST			NZ			CONSOLIDATED		
	FY08	FY09	Growth	FY08	FY09	Growth	FY08	FY09	Growth
\$AUDm									
<b>Sales</b>	1,735.1	<b>2,205.0</b>	27.1%	93.5	<b>122.3</b>	30.8%	1,828.6	<b>2,327.3</b>	27.3%
<b>Gross Profit</b>	384.6	<b>483.0</b>	25.6%	15.1	<b>20.6</b>	36.3%	399.7	<b>503.6</b>	26.0%
Gross Margin	22.2%	<b>21.9%</b>	-26 bps	16.2%	<b>16.9%</b>	+69 bps	21.9%	<b>21.6%</b>	-22 bps
<b>EBITDA</b>	121.0	<b>162.2</b>	34.1%	(4.0)	<b>(1.5)</b>	62.3%	117.0	<b>160.7</b>	37.4%
Depreciation & Amortisation	13.8	<b>17.4</b>		0.9	<b>1.4</b>		14.7	<b>18.7</b>	
<b>EBIT</b>	107.2	<b>144.9</b>	35.2%	(4.9)	<b>(2.9)</b>	40.9%	102.3	<b>142.0</b>	38.8%
EBIT Margin	6.2%	<b>6.6%</b>	+39 bps	(5.2%)	<b>(2.4%)</b>	+288 bps	5.6%	<b>6.1%</b>	+51 bps
<b>Net Profit After Tax</b>							65.1	<b>94.4</b>	45.1%
<b>Headline Statistics:</b>									
Earnings per share (basic ¢)							61.8	<b>88.3</b>	42.9%
Cost of doing business	15.0%	<b>14.3%</b>	-69 bps	20.4%	<b>18.1%</b>	-227 bps	15.3%	<b>14.5%</b>	-77 bps
Stores at period end	93	<b>109</b>	+16 stores	12	<b>14</b>	+2 stores	105	<b>123</b>	+18 stores

## 4. FINANCIAL DETAIL....



### Balance Sheet

\$m	FY08	FY09
Cash	(1.5)	35.8
Receivables	53.0	60.3
Inventories	271.9	324.5
Other Current Assets	5.3	5.7
<b>Total Current Assets</b>	<b>328.7</b>	<b>426.2</b>
Fixed Assets	112.9	136.1
Brandname & Goodwill	81.2	81.4
Other Non-Current	11.5	18.0
<b>Total Non-Current Assets</b>	<b>205.6</b>	<b>235.4</b>
<b>Total Assets</b>	<b>534.3</b>	<b>661.7</b>
Payables	206.1	274.0
Other	31.8	49.8
<b>Total Current Liabilities</b>	<b>237.9</b>	<b>323.7</b>
Borrowings	123.0	89.4
Other Non-Current Liabilities	9.5	19.3
<b>Total Non-Current Liabilities</b>	<b>132.5</b>	<b>108.7</b>
<b>Total Liabilities</b>	<b>370.4</b>	<b>432.4</b>
<b>Net Assets</b>	<b>163.9</b>	<b>229.3</b>

## 4. FINANCIAL DETAIL....



### Cashflow Statement

\$m	FY08	FY09
<b>EBITDA</b>	<b>117.0</b>	<b>160.7</b>
Change in Working Capital	(44.8)	19.6
Net Interest Paid	(8.9)	(6.7)
Income Tax Paid	(28.0)	(41.3)
Other	7.1	13.3
<b>Net Cashflow from Operations</b>	<b>42.4</b>	<b>145.6</b>
Purchases of P&E	(51.3)	(43.9)
Investments	(8.2)	-
<b>Net Cashflow from Investing</b>	<b>(59.5)</b>	<b>(43.9)</b>
Borrowings / (Repayments)	5.8	(35.3)
Proceeds from issue of Equity	3.0	4.2
Dividends Paid	(16.9)	(33.2)
<b>Net Cashflow from Financing</b>	<b>(8.1)</b>	<b>(64.3)</b>
<b>Net Change in Cash Position</b>	<b>(25.2)</b>	<b>37.4</b>
Effect of exchange rates	-	(0.1)
<b>Cash at the end of Period</b>	<b>(1.5)</b>	<b>35.8</b>

## 4. FINANCIAL DETAIL....



### Working capital and key ratios:

\$m	FY08	FY09
(Increase)/decrease in current assets		
Inventory	(59.5)	(52.5)
Receivables	(4.9)	(7.0)
Other current assets	(1.8)	(0.5)
Increase/(decrease) in current liabilities		
Trade creditors	17.5	68.1
Other current liabilities	3.9	11.3
<b>Net Movement in Working Capital</b>	<b>(44.8)</b>	<b>19.6</b>
<b>Performance Indicators:</b>		
Stock Turnover	5.9x	6.1x
Creditors Days	50.0	48.0
Fixed Charge Ratio	3.3x	3.8x
Interest Cover	11.0x	17.7x
Return on Equity	39.7%	41.2%
Return on Invested Capital	35.5%	50.2%

§ Working capital is an ongoing focus of management and is in-line with current expectations.

§ Inventory Management:

§ Inventory management remains a constant focus, with like for like inventory levels increasing marginally and new store inventory adding \$51.1m.

§ This is a pleasing outcome given the investment in the Communications category.

§ Inventory turnover has improved to 6.1 times (pcp: 5.9 times).

§ Like for like inventory turnover was 6.6 times (pcp: 5.9 times).

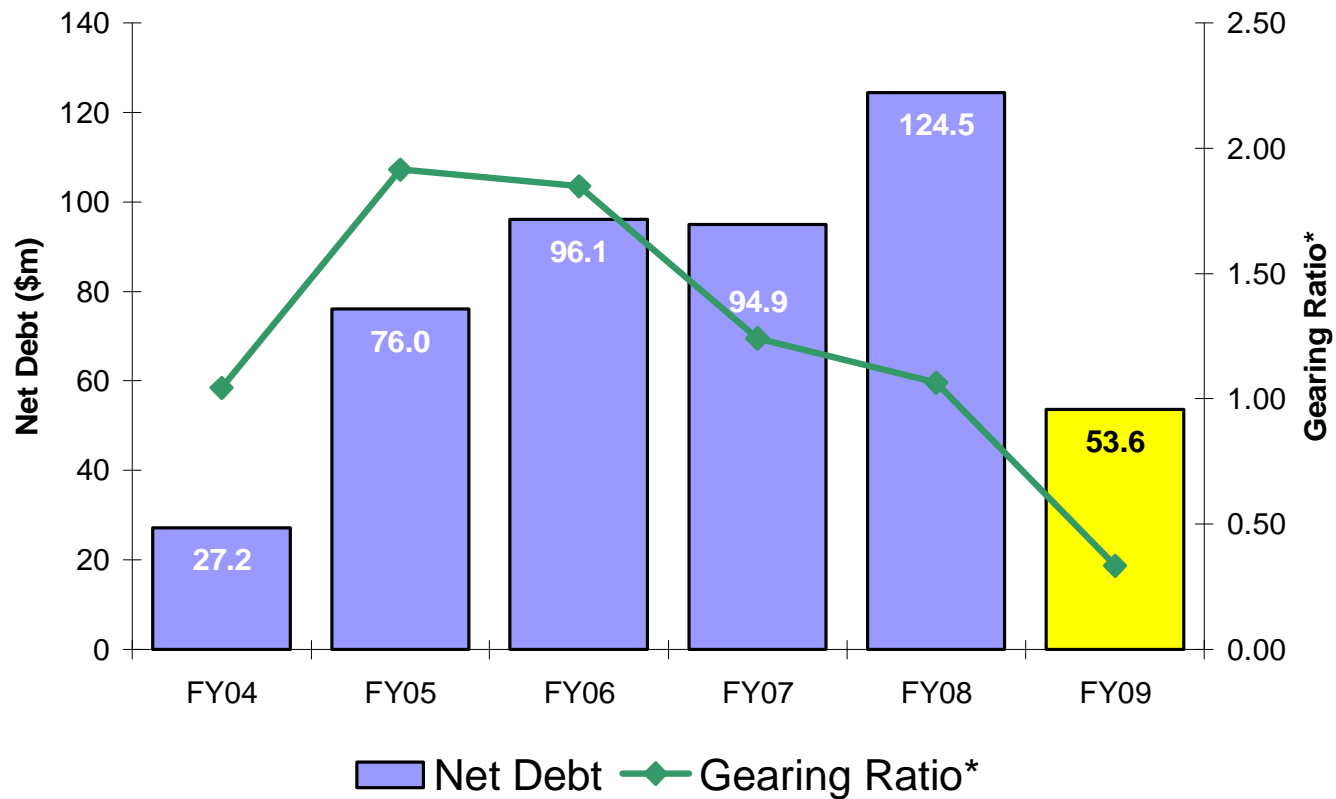
§ Receivables relate predominately to supplier rebates.

§ Creditors days were down slightly in-line with expectations driven by supplier mix.

§ Fixed charges ratio at 3.8 times, coupled with high interest cover is a good indication of JB's balance sheet strength and our low financial and operational leverage.

## 4. FINANCIAL DETAIL....

### Net debt and gearing ratio

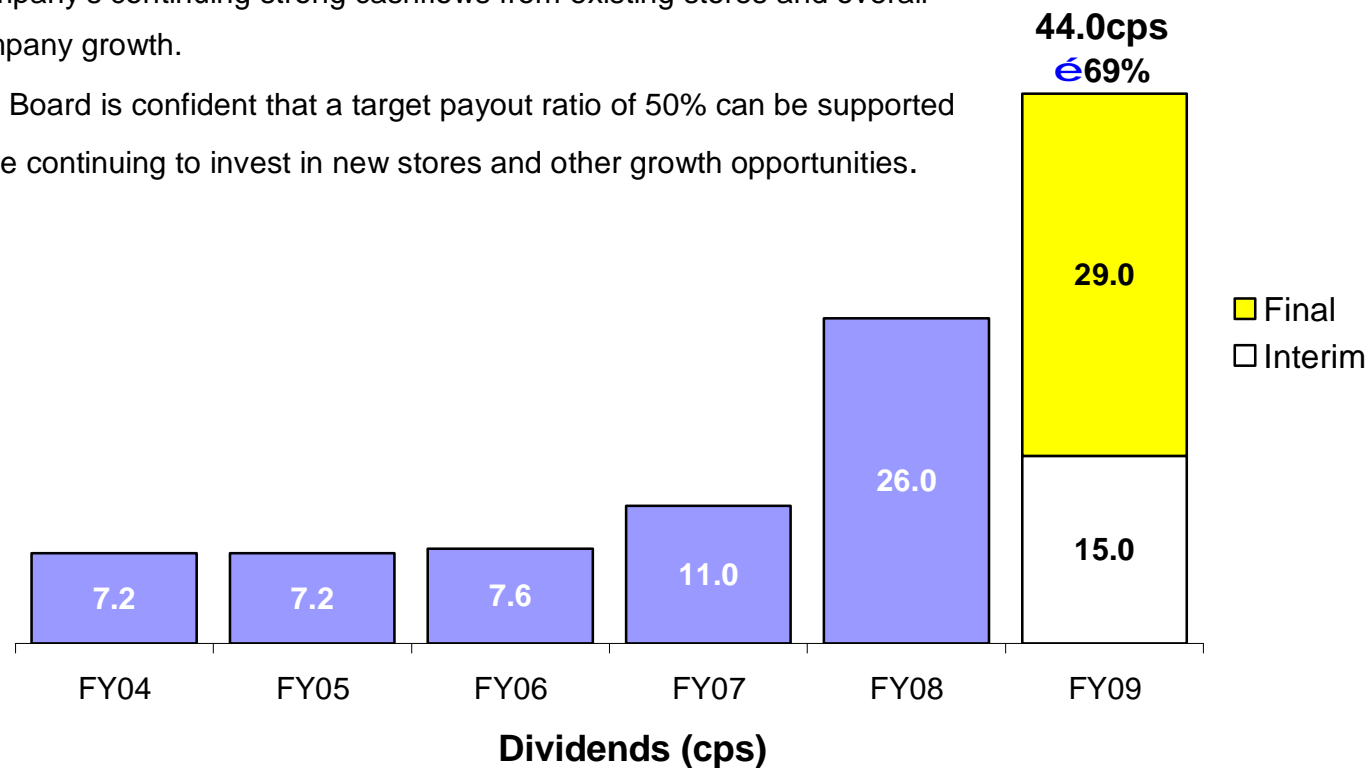


\* Gearing Ratio = Net Debt / EBITDA

## 5. DIVIDENDS



- § Final dividend of 29 cents per share fully franked, a 13 cents per share or 81% increase on the prior year.
- § The total dividend for FY09 is 44.0 cents per share, an increase of 18.0 cents per share or 69% over the prior year.
- § Target payout ratio has increased to 50% from 40% reflecting the Company's continuing strong cashflows from existing stores and overall company growth.
- § The Board is confident that a target payout ratio of 50% can be supported while continuing to invest in new stores and other growth opportunities.



## 6. STORE UPDATE

19 stores opened in FY09



§ 16 JB Hi-Fi stores were opened:

- **WA:** Cockburn, Carousel, Malaga, Perth CBD, Joondalup, Claremont, Rockingham
- **NSW:** Tweed City
- **QLD:** Cairns Central, Morayfield, Pacific Fair
- **SA:** Gepps Cross
- **ACT:** DFO Fyshwick
- **NZ:** St Lukes, Wellington & Botany

§ 3 Clive Anthonys stores were opened:

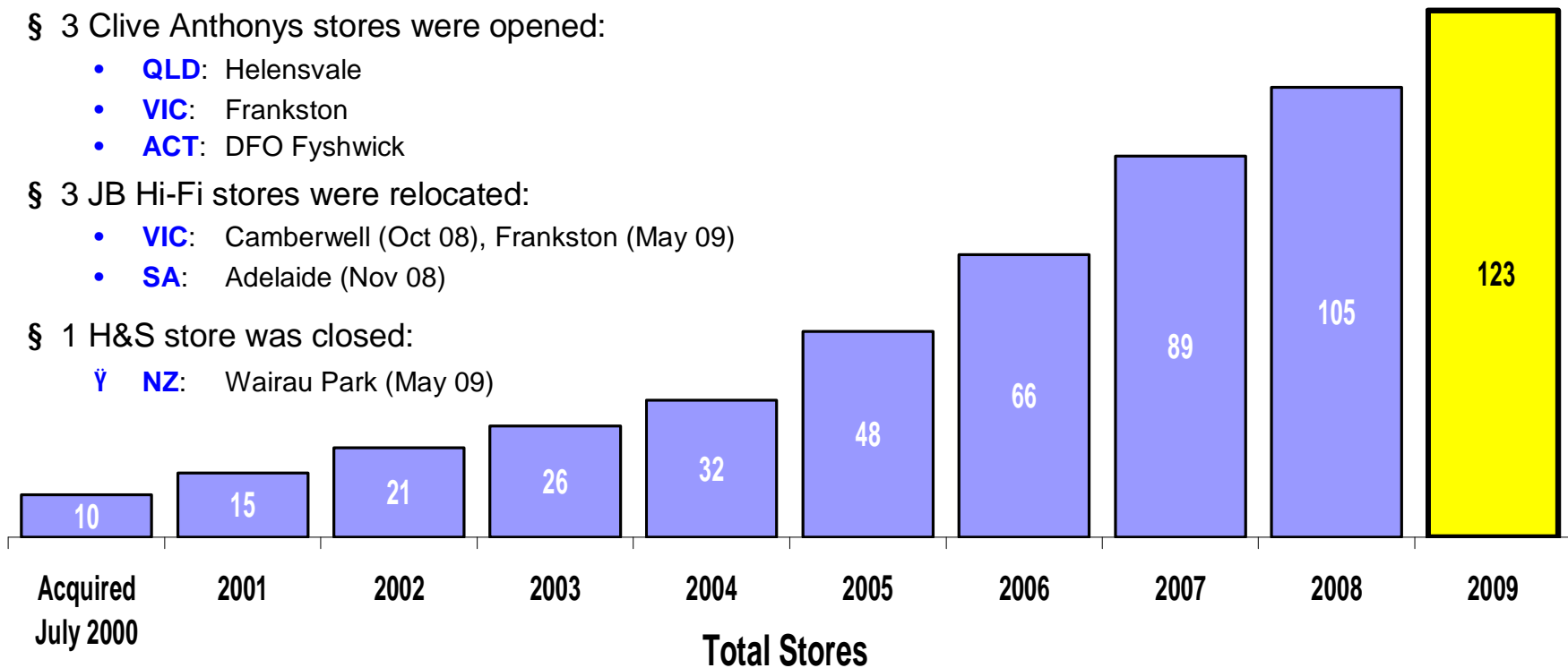
- **QLD:** Helensvale
- **VIC:** Frankston
- **ACT:** DFO Fyshwick

§ 3 JB Hi-Fi stores were relocated:

- **VIC:** Camberwell (Oct 08), Frankston (May 09)
- **SA:** Adelaide (Nov 08)

§ 1 H&S store was closed:

- **NZ:** Wairau Park (May 09)



## 6. STORE UPDATE...

### 18 new stores to open in FY10

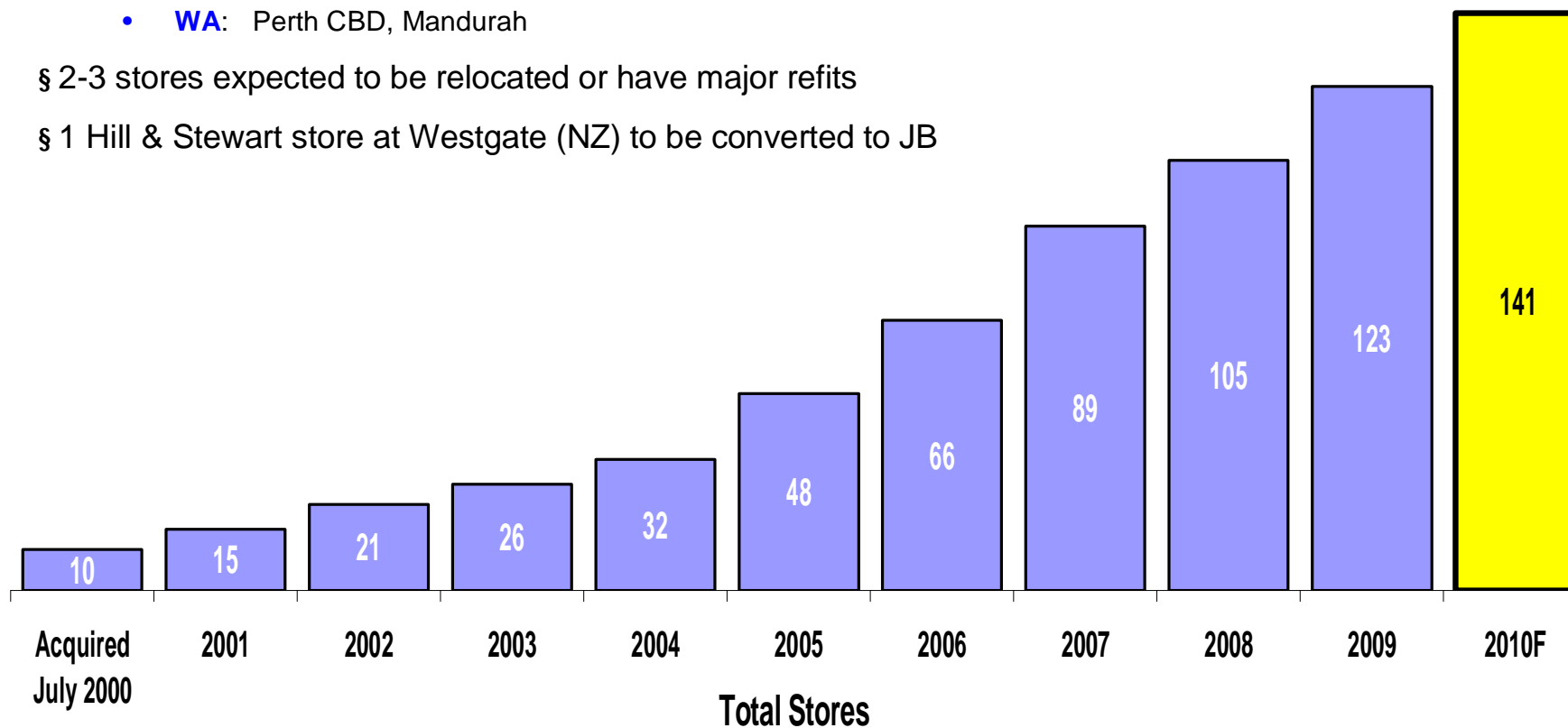


§ 18 JB Hi-Fi stores expected to be opened during FY10 and includes:

- **NSW:** Eastgardens, Moore Park, Top Ryde, Sydney CBD, Albury, Wollongong, Artarmon
- **QLD:** Brisbane CBD, Rockhampton, Townsville
- **VIC:** Malvern, Shepparton, Bendigo
- **WA:** Perth CBD, Mandurah

§ 2-3 stores expected to be relocated or have major refits

§ 1 Hill & Stewart store at Westgate (NZ) to be converted to JB





## 7. INVESTMENT CHECKLIST



- Strong and unique retail model.
- Operates mainly in high growth home entertainment and technology sector.
- Low cost of doing business – best of listed retailers.
- Many new store opportunities
  - JB circa 210 (160 large format and 50 smaller format) in Australia and New Zealand (106 as at end FY09)
- Good growth potential from computer and mobile consumer electronics (telco) categories.
- Size and continued high growth gives us great buying power and advertising synergies.
- Low capital investment and high return on invested capital.
- Low gearing and renewed debt facility.
- Strength and depth of management.

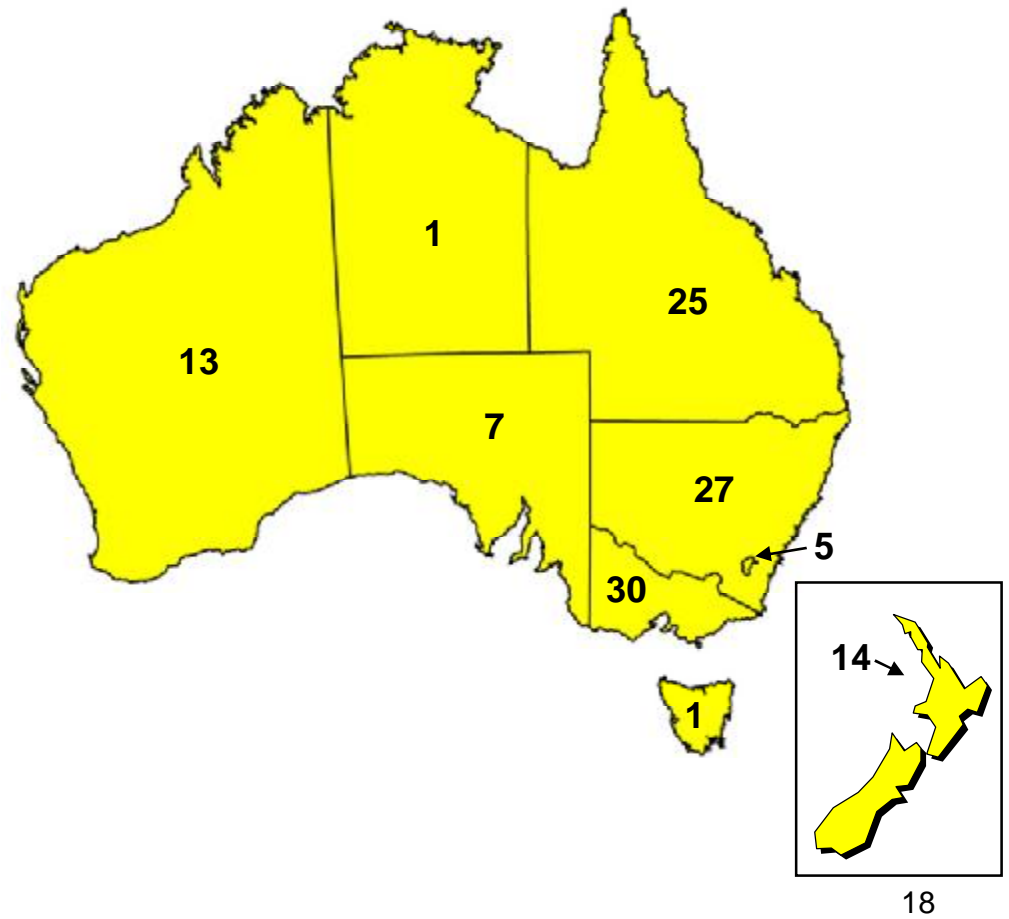
# APPENDIX I



## Store movements during FY09

	FY08	FY09		
		Opened	Closed	Total
<b>AUSTRALIA</b>				
JB Hi-Fi	85	13	-	98
Clive Anthonys	8	3	-	11
	<b>93</b>	<b>16</b>	<b>-</b>	<b>109</b>
<b>NEW ZEALAND</b>				
JB Hi-Fi	5	3	-	8
Hill & Stewart	7	-	(1)	6
	<b>12</b>	<b>3</b>	<b>(1)</b>	<b>14</b>
	<b>105</b>	<b>19</b>	<b>(1)</b>	<b>123</b>
<b>Store Format:</b>				
Shopping centres	51	8	-	59
Other	54	11	(1)	64
	<b>105</b>	<b>19</b>	<b>(1)</b>	<b>123</b>

## Geographic breakdown

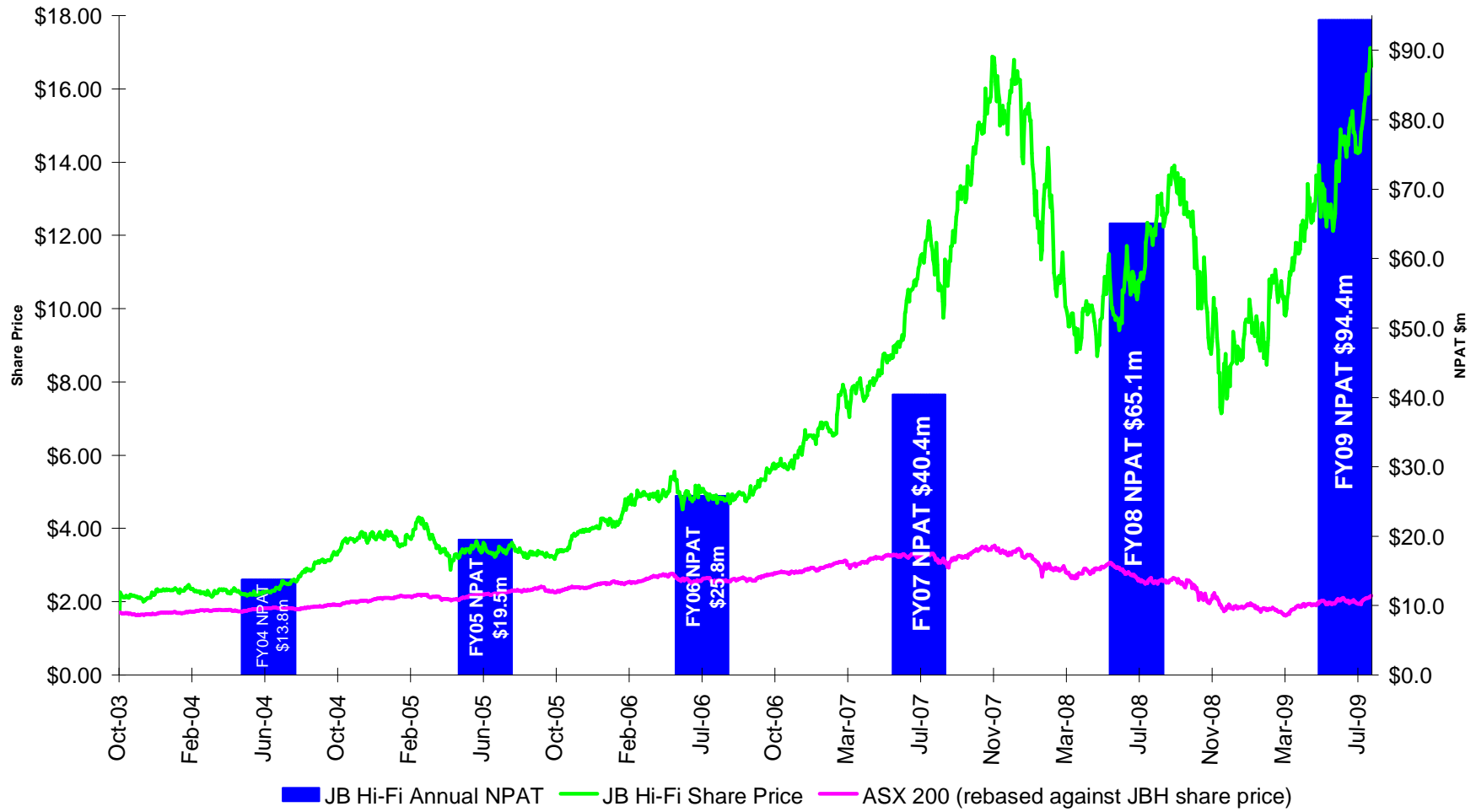


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# APPENDIX II



## JB Hi-Fi Share Price, Annual NPAT & ASX 200



## EBIT reconciliation

\$m	FY08	FY09
Profit for the year (per Appendix 4E)	65.1	94.4
<i>add back</i>		
- income tax expense	28.9	41.1
Profit before Tax	94.0	135.5
<i>add back</i>		
- interest received	(1.0)	(1.6)
- interest expense	9.3	8.0
- net interest expense	8.3	6.5
<b>Earnings before interest and tax (EBIT)</b>	<b>102.3</b>	<b>142.0</b>