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COMPANY ANNOUNCEMENT

11 February 2013

JB Hi-Fi reports Sales for JB Hi-Fi branded stores up 3.1%, NPAT up 3.0% and an increased Dividend to 50.0 cps

Overview

JB Hi-Fi Limited today reports net profit after tax (NPAT) of \$82.1 million (HY12: \$79.6 million) from \$1.82 billion of sales (HY12: \$1.77 billion) for the six months ended 31 December 2012.

Sales growth for JB Hi-Fi branded stores in Australia and New Zealand was 3.1% and comparable store sales were -3.5%. Total sales for the Group grew 2.3%.

Gross margin was 21.5% (HY12: 21.2%) and cost of doing business was 13.8% (HY12: 13.6%), resulting in EBIT of \$123.7 million (HY12: \$120.7 million) and an EBIT margin of 6.8% (HY12: 6.8%).

JB Hi-Fi CEO, Terry Smart, said "We are pleased with the result, with total sales growing and the improved gross margin resulting in NPAT growth over the prior period. Whilst we continue to see total sales growth, the Visual (TV) category in particular negatively impacted comparative store growth." Mr Smart added, "The industry has seen TV sales decline over the past few years as the category moves towards a more typical replacement driven sales market. The JB brand however continued to attract customers with our market share growing solidly."

"Encouragingly, our comparative stores are seeing an improved trend in customer transactions with positive growth on the prior period. The ability to leverage our high traffic locations, low cost of doing business, low prices across the full range of categories and continued focus online, will ensure ongoing maximisation of sales and earnings growth opportunities." said JB Hi-Fi CEO Terry Smart.

The directors have declared a fully franked interim dividend of 50.0 cents per share (HY12: 49.0 cents per share), in line with the dividend policy of a payout ratio of 60% of HY13 NPAT. The interim dividend will be paid on 8 March 2013. The record date for determining the entitlement is 21 February 2013.

Stores

The Company opened 11 new JB Hi-Fi stores in HY13, all in Australia, merged four existing co-located JB Hi-Fi and Clive Anthonys stores under the new JB HI-FI HOME brand and closed three smaller sub-scale JB Hi-Fi stores. The Company expects to open a total of 15 new JB Hi-Fi stores in FY13.

At 31 December 2012, the Company had 176 stores (Australia: 163, NZ: 13), of which 174 were JB Hi-Fi stores. The Company's stated target of 214 JB Hi-Fi stores should lead to solid growth in the coming years.

JB Hi-Fi CEO, Terry Smart, said "Our new store rollout continues to generate a solid return on capital with most of these stores located in shopping districts where JB Hi-Fi does not currently have a presence and thus having minimal impact on our existing store network. Our trial of JB HI-FI HOME, whilst at an early stage, has exceeded internal expectations and is seeing positive customer engagement with good growth in appliances and no adverse effect on the traditional JB Hi-Fi product categories."

The Company continues to apply stringent store selection criteria with new sites offering JB Hi-Fi a high level of foot traffic and convenient access for customers. The Company's considered approach to new store locations means new stores should continue to deliver comfortably in excess of their cost of capital.

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Out of Store

Online sales have been strong, up 40.3% in HY13 and represent approximately 2.0% of total sales. The popularity of JB Hi-Fi's sites continues to grow with unique visitors to the websites increasing 30.9% over the previous year¹ to an average of 1 million per week.

JB HI-FI NOW Music continues to grow steadily. The NOW platform will enable the company to expand further into additional digital content categories thereby capturing new digital market opportunities.

The Company's commercial business continued to see good growth, with sales up 44.2% in HY13.

FY13 Outlook

"We have seen a positive start to the New Year with total sales growth in January of 11.7% and comparative store sales growth of 4.2%. January gross margin has improved on last year as we cycle the significant market-wide promotional period from last year. We continue to remain passionate about providing the best value across our entire range and this, combined with a high level of customer service, will enable us to continue to grow our market share. As always, we owe a great deal of our success to the passionate and knowledgeable staff across both our stores and support office" said JB Hi-Fi CEO Terry Smart.

The Company expects sales in FY13 to be circa \$3.25 billion and NPAT within the range of \$108.0 million to \$112.0 million. Our FY13 guidance is based on consolidated comparable store sales in FY13 of circa negative 3% and gross margin in line with the first half at 21.5%. "In the second half of FY12, we saw aggressive discounting across the market which, while driving sales, did impact gross margin. As we cycle this period we anticipate sales growth may be more challenging, but this should be offset by a relatively stable gross margin environment" said JB Hi-Fi CEO Terry Smart.

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¹ Rolling 12 months to 31 December 2012.

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