

COMPANY ANNOUNCEMENT

8 August 2011

JB Hi-Fi reports another record year with Sales up 8%, normalised Profit up 13%¹ and Dividend up 17%

RESULTS OVERVIEW	FY10 Statutory	FY11 Statutory	FY11 Normalised ¹	Growth Normalised ¹
☐ Sales	\$2.73b	\$2.96b	\$2.96b	8.3% ↑
☐ Gross Margin	21.8%	22.0%	22.0%	+28 bps ↑
☐ Cost of Doing Business	14.5%	15.6%	14.5%	0 bps -
☐ EBIT	\$175.1m	\$162.6m	\$196.0m	11.9% ↑
☐ EBIT Margin	6.4%	5.5%	6.6%	+21 bps ↑
☐ NPAT	\$118.7m	\$109.7m	\$134.4m	13.3% ↑
☐ Earnings per share	109.7 cps	101.8 cps	124.7 cps	13.6% ↑
☐ Total dividend - fully franked	66.0 cps	77.0 cps	77.0 cps	+11.0 cps ↑

Overview

JB Hi-Fi Limited today reported a normalised record full year net profit after tax (NPAT) of \$134.4 million¹ (FY10: \$118.7 million) from \$2.959 billion of sales for the year ended 30 June 2011. On a statutory basis NPAT for the full year was \$109.7 million, the difference being the one-off Clive Anthonys restructuring charge of \$24.7m (post tax) announced in March 2011.

Total sales growth was 8.3%, with comparable store sales growth negative 1.2%.

Gross margin was 22.0% (FY10: 21.8%) and cost of doing business was flat at 14.5%¹ (FY10: 14.5%), both contributing to a 21 bps increase in EBIT margin to 6.6% (FY10: 6.4%). Cash flow from operations was \$109.9 million for the full year.

“We are pleased with our results in what was a challenging period for retail. It is a testament to the strength of our brand, our systems and processes and the quality of our people in driving this result” said CEO Terry Smart.

The directors have declared a fully franked final dividend for the year of 29.0 cents per share. Total dividends for FY11 of 77.0 cents per share represent a payout ratio of 60% of normalised¹ FY11 NPAT. The final dividend is to be paid on 2 September 2011. The record date for determining the entitlement is 23 August 2011.

During the year the Group successfully completed a \$173.3 million off-market share buy-back which resulted in the purchase of 10.8 million shares, representing 9.9% of shares on issue.

CEO Terry Smart said “In the last 12 months we have returned over \$260 million to our shareholders, through dividends and our off-market share buy-back.”

¹ Excludes the Clive Anthonys one-off restructuring charge (\$24.7m post tax) announced in March 2011.

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Store Roll-out Update

The Company opened 18 new JB Hi-Fi stores in FY11 (Australia: 15, New Zealand: 3) and converted 4 Clive Anthonys stores to JB Hi-Fi stores. These stores, together with the maturing of the 42 stores opened over the previous two financial years, will continue to drive revenue and earnings growth. "The Company has made significant progress with its restructuring of the Clive Anthonys stores, with four stores in Queensland now converted to JB Hi-Fi stores and two stores closed" said CEO Terry Smart.

At 30 June 2011, the Group had 157 stores (Australia: 144, NZ: 13), of which 152 were JB Hi-Fi branded stores. The Company is targeting 214 JB Hi-Fi branded stores and plans to open circa 13 to 15 stores per annum. With 62 JB Hi-Fi stores yet to open, the Company can look forward to at least 4 to 5 years of good organic sales and earnings growth.

We anticipate opening 16 new JB Hi-Fi stores in FY12 in Australia.

Online

JB Hi-Fi has continued to refine its online presence as part of its multichannel strategy. Online sales grew 51.6% over the full year and were up 68.1% in the second half. With a high number of unique visitations (average of 800,000 per week in July 2011), the online site is increasingly an important sales generator for both in store and online sales.

CEO Terry Smart said "Our buying power and low cost of doing business will ensure we maintain our competitive online offer. We continue to enhance the customer online experience with the introduction of a mobile friendly website to browse, explore and transact online, combined with a new gift card module which enables our customers to activate and manage their JB Hi-Fi Gift Cards online. We will shortly enhance the offer further with the additional convenience of being able to order online and pick-up in store."

Digital - New "JB HI-FI NOW" music streaming service

JB Hi-Fi anticipates launching a new music subscription streaming service in the second quarter of FY12. This new service will leverage off the Company's strong music heritage and is a natural extension to its current physical music sales. A staged roll-out is anticipated over the quarter for Mac and PC, with a mobile solution to be added shortly after. "We intend to have between 6 to 8 million tracks from 100,000 artists at launch and will continue to grow this number over time. The service will allow for unlimited access and listening to music from your Mac, PC or mobile device" said CEO Terry Smart.

FY12 Outlook

While sales in July remained challenging the Company had positive total sales growth for JB Hi-Fi branded stores of 6.4%, with comparable stores sales negative 3.3%.

"While we anticipate the market will remain challenging, we will continue to focus on driving market share growth through our core strengths of everyday low prices, great people and our low cost of doing business. When combined with the opening of 16 stores, the maturing of recently opened stores and our continued online focus, we are well positioned to maximise growth through the next 12 months" said CEO Terry Smart.

JB Hi-Fi expects FY12 to be another solid year of sales and earnings growth. Assuming trading conditions are comparable with FY11, the Company expects sales in FY12 to be circa \$3.2 billion, an 8% increase on the prior year.

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