

# JB Hi-Fi Limited

2010 Annual General Meeting



13 October 2010

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## Agenda

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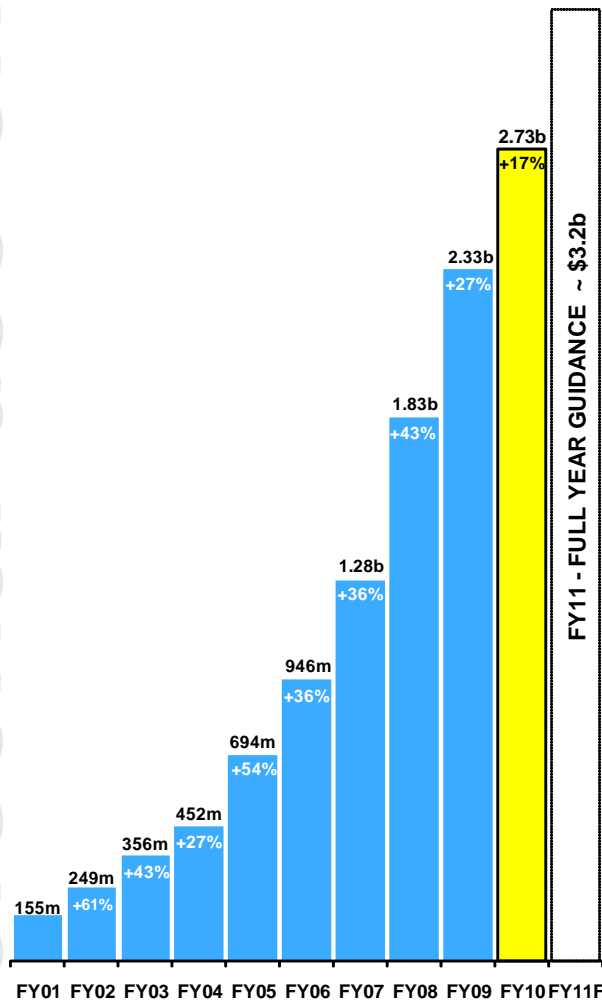
- Chairman's address**
- Chief Executive Officer's address**
- Ordinary business**
  - Item 1: Consideration of Accounts and Reports
  - Item 2: Remuneration Report
  - Item 3: Re-election of Directors
- Special business**
  - Item 4: Approval of Grant of Options to Executive Director
- Other business**



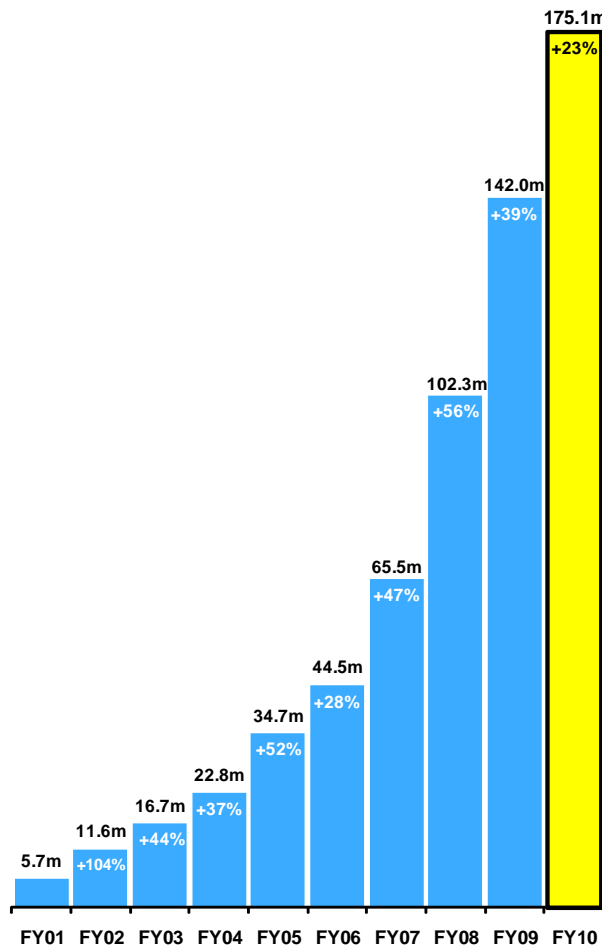
# Chairman's address

Mr Patrick Elliott

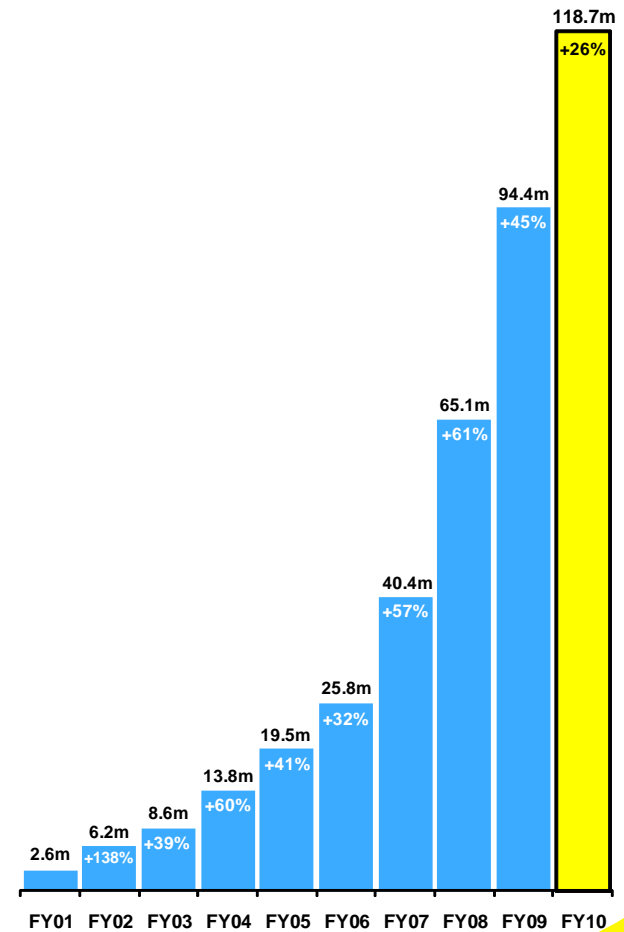
## SALES +17%



## EBIT +23%



## NPAT +26%





## Chairman's address...

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### Strong shareholder return

- Total dividends up by 50% to 66.0 cents per share.
- Since the IPO in October 2003, annual compound return of 43.2% has been achieved compared to 5.0% for the ASX 200 Accumulation Index over the same period<sup>i</sup>.

<sup>i</sup> as at 30 September 2010



## Chairman's address...

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### Sustainable competitive advantage

- Low operating costs is a cornerstone philosophy for the company.
- Our cost of doing business was 14.5%, a continued improvement from 14.7% in the previous year.
- Our cost advantage is continually enhanced by:
  - increasing sales from established stores and the new store roll out; and
  - an appropriate application of technology and training to improve labour productivity whilst maintaining customer service levels.



## Chairman's address...

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### Strength of the JB model

- Discounters generally appear to have fared better than their full price rivals in navigating the financial crisis.
- Impact of the government stimulus on retailers through FY09 was underestimated.
- Our compound annual comparable growth was 7.9% over the two years ending 30 June 2010.
- The manufacturer takes the principal currency risk as JB buys from the local subsidiaries of the off shore manufacturers, music and movie companies in Australian dollars.



## Chairman's address...

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### Rollout continues

- The rollout of JB Hi-Fi branded stores has continued across Australia and New Zealand.
- Target of 210 JB Hi-Fi branded stores (160 Tier 1 and 50 Tier 2).
- Many years of growth ahead.
- Today we employ over 5,500 staff in Australia and New Zealand with each new store opening creating approximately 30 new employment opportunities.
- We continue to attract high calibre, passionate retail professionals.



## Chairman's address...

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### Funding of growth plans

- The Company has moved from being a net investor of cash to a net generator of cash.
- The company has been assessing its capital structure to ascertain the right balance between financial risk and efficient capital usage.
- Further consideration of any material capital management initiatives has been deferred until after the important 2010 Christmas trading period.





## Chairman's address...

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### Terry Smart succeeds Richard Uechtritz as CEO

- After 10 years at the helm of the Company, Richard Uechtritz retired as CEO in May 2010 and was succeeded by Terry Smart.
- Under Richard's leadership the Company successfully expanded to become a major Australian retailer and an ASX 100 Company.
- Richard made an enormous contribution as an executive and will join the Board as a non executive director early next year.
- Since the management buy-in in 2000, Terry has been an Executive Director and Chief Operating Officer. In that time Terry had either direct control or high levels of exposure to each and every aspect of the business.
- Terry has made a very good start as CEO and we are very confident that he will discharge this office with the same energy and success as he did with his previous role.



## Chairman's address...

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### Community involvement

- The JB workplace giving program “Helping Hands”, launched in 2008, now has more than 890 employees making regular weekly contributions. To date the program has raised \$1.33 million including the matching grants made by the Company.
- During 2010 we launched our ‘Change for Change’ initiative, installing donation boxes in all stores nationally to encourage customers and staff to donate some of their spare change to help change the lives of those less fortunate.
- JB Hi-Fi has become a founding partner of The Australian Charities Fund’s “Employer Leadership Initiative”. Members of the Employer Leadership Initiative have demonstrated best practice in engaging with their employees around community issues and are committed to leading the growth of the sector with ACF.



## Chairman's address...

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- Let me take the opportunity to thank my fellow directors, Terry and all the staff of JB who have delivered another record result for shareholders.
- CEO Terry Smart will now address the meeting on the operational results



# Chief Executive Officer's address

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## Mr Terry Smart



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## Chief Executive Officer's address

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### Strong performance in FY10

- FY10 was another strong result for the Company with consolidated sales up 17.4% on the prior year.
- The unique JB model continued to resonate with customers.
- Consolidated comparative store sales growth for FY10 was 4.8%.
- Trading in the second half of FY10 was particularly challenging due to cycling the impact of prior year government stimulus packages.
- The Company continued to grow its market share as the recently opened stores matured, new stores were opened and we expanded our product offering.
- Gross margin in Australia increased to 22.1% and the Company's cost of doing business decreased to 14.5%.
- The Company continues to have the lowest cost of doing business of any listed retailer.



## Chief Executive Officer's address

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### New Zealand

- Focus on the roll out of JB branded stores.
- We are quickly increasing our scale and with that our buying power, efficiencies and brand awareness.
- We remain committed to New Zealand and expect it to generate a satisfactory return on invested capital over the next few years.



## Chief Executive Officer's address

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### Working capital

- During the year we invested in working capital relating to inventory for new stores, expanded established stores and continued the expansion of Computers/IT and Telco.
- Inventory turnover improved to 6.5 times, with like for like inventory turnover improving to 6.9 times, up from the prior year of 6.1 times and 6.6 times respectively.
- We continue to search for opportunities to minimise our investment in working capital, without compromising our product offering to customers.

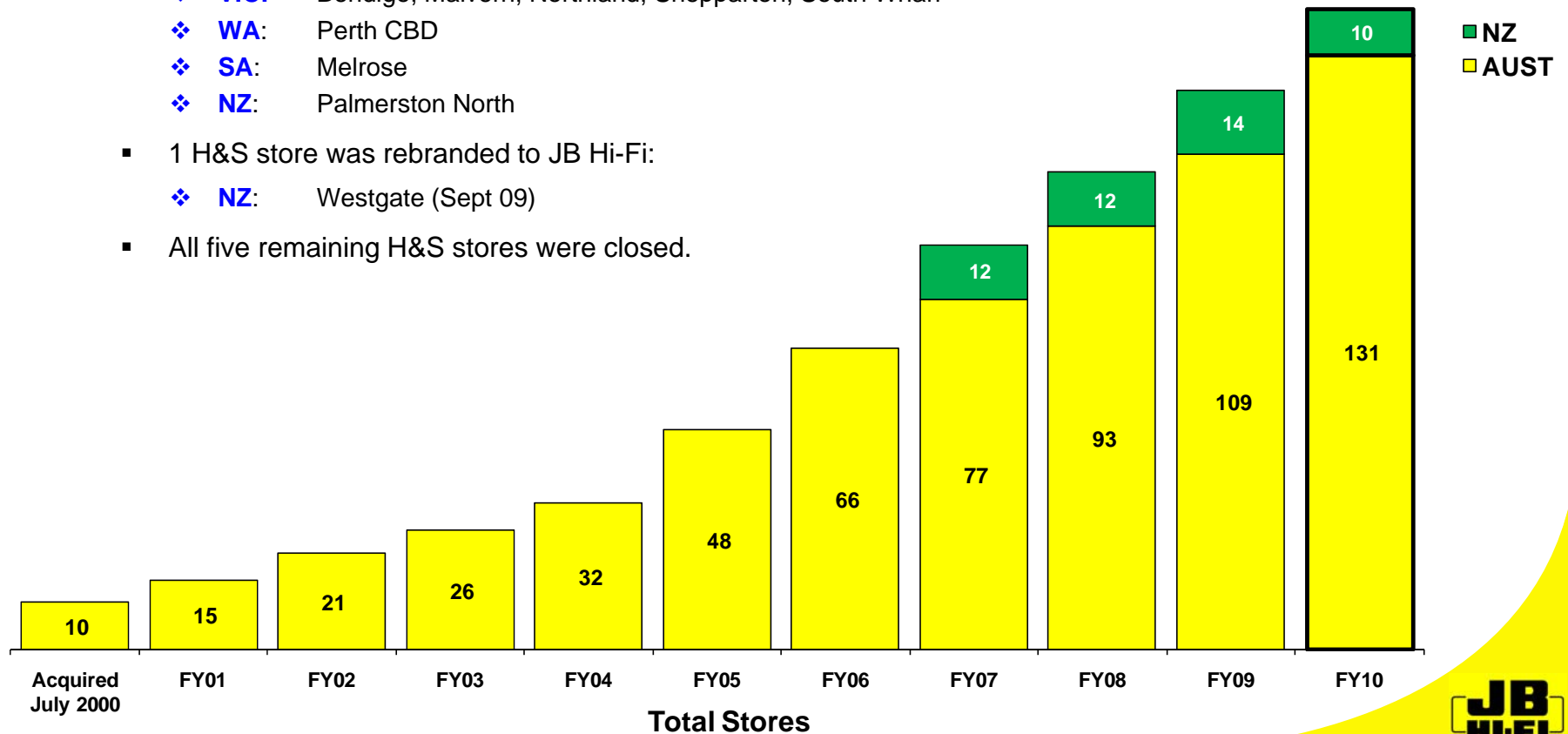


## Chief Executive Officer's address

### New stores

#### □ 23 JB Hi-Fi stores opened in FY10

- 23 JB Hi-Fi stores:
  - ❖ **NSW:** Albury, Artarmon, Belrose, Eastgardens, Moore Park, Top Ryde, Wagga Wagga, Wollongong Central, World Square
  - ❖ **QLD:** Brisbane CBD (x2), Browns Plains, Mt Ommaney, Rockhampton, Townsville
  - ❖ **VIC:** Bendigo, Malvern, Northland, Shepparton, South Wharf
  - ❖ **WA:** Perth CBD
  - ❖ **SA:** Melrose
  - ❖ **NZ:** Palmerston North
- 1 H&S store was rebranded to JB Hi-Fi:
  - ❖ **NZ:** Westgate (Sept 09)
- All five remaining H&S stores were closed.







## Chief Executive Officer's address

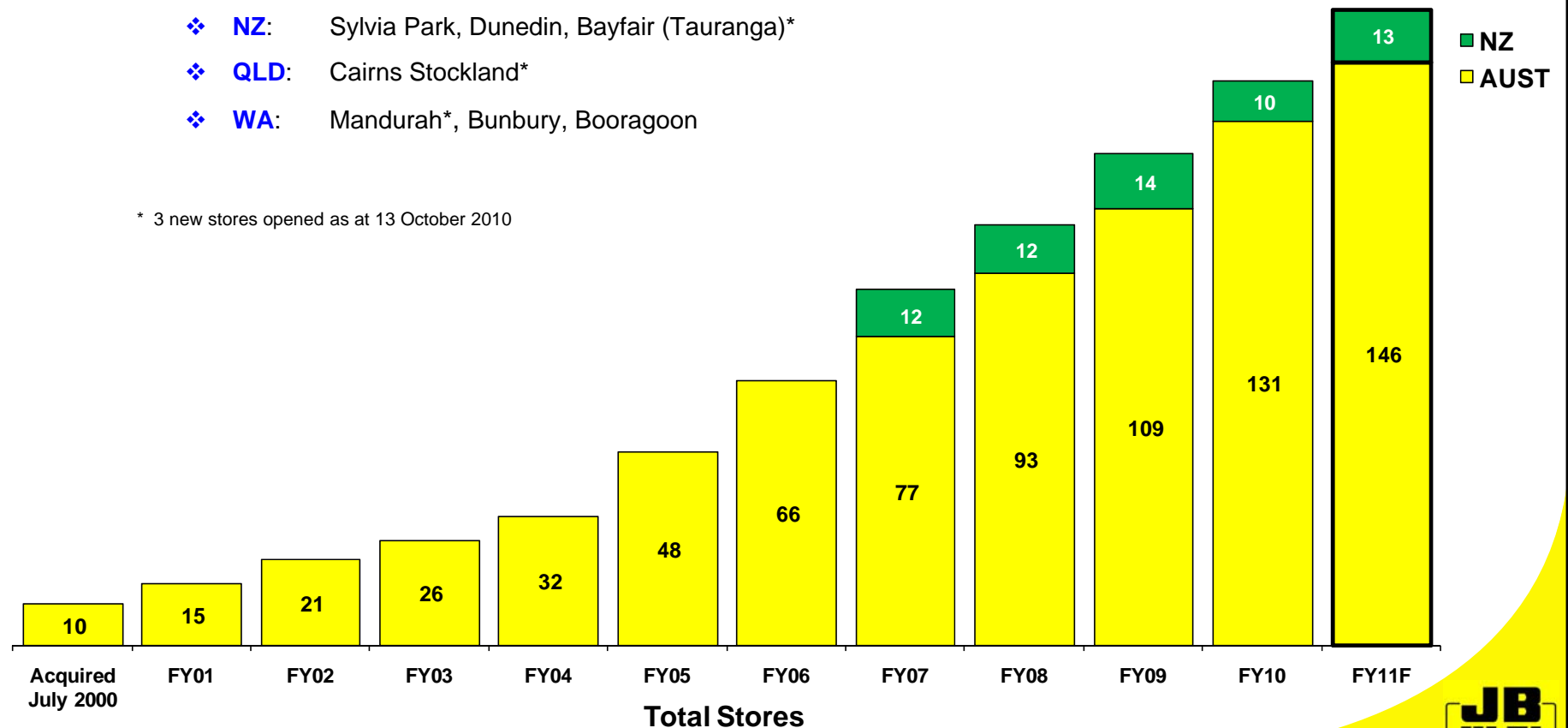
### New stores...

#### □ 18 JB Hi-Fi stores expected to be opened during FY11

##### ▪ 18 JB Hi-Fi stores:

- ❖ **VIC:** Sunshine, Forrest Hill, Chadstone – Warrigal Rd, Greensborough, Mildura, Airport West, Bayside Frankston
- ❖ **NSW:** North Sydney, Charlestown, Merrylands, Westfield Sydney
- ❖ **NZ:** Sylvia Park, Dunedin, Bayfair (Tauranga)\*
- ❖ **QLD:** Cairns Stockland\*
- ❖ **WA:** Mandurah\*, Bunbury, Booragoon

\* 3 new stores opened as at 13 October 2010





## Chief Executive Officer's address

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### Trading update

- The Company has continued to see a steady improvement in store sales since June 2010 and as a result we now have positive comparable growth year to date for FY11.
- Total Company sales for the first quarter FY11 are up 12.2% on the same period last year however behind budget by approximately 5%. The Company expects to make up part of this shortfall in the second half, which is cycling less challenging comparable store sales.
- The overall strength of the economy, low levels of unemployment and a strong product assortment should underpin a successful Christmas trading period.
- Discounting has been a prevalent feature of retail over the last 12 months as consumer demand has softened. We are expecting to see discounting to continue through Christmas 2010 however JB is well positioned to maintain margins given its increasing scale, broad product assortment and everyday low prices strategy.



## Chief Executive Officer's address

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- A key to JB's success is its exceptional management and staff who continue to enthusiastically embrace every opportunity that comes their way.
- I thank them for their contribution and together, we look forward to producing another record result for our shareholders in FY11.



## Ordinary Business

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### Item 1 - Consideration of Accounts and Reports

To receive and consider the financial report of the Company for the financial year ended 30 June 2010 together with the directors' report and auditor's reports for the financial year ended 30 June 2010.



## Ordinary Business...

### Item 2 - Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:  
**"That the Remuneration Report for year ending 30 June 2010 be adopted."**

Proxies:

In respect to this item of business, the following proxies have been received:

- |                     |            |
|---------------------|------------|
| • In favour         | 58,631,235 |
| • Against           | 3,362,972  |
| • Open / undirected | 460,682    |

The Chairman intends voting the open and undirected proxies in favour of the resolution.



## Ordinary Business...

### Item 3 - Re-election of Directors

To re-elect Directors of the Company, each election to be voted on separately:

- a) "In accordance with the Company's Constitution, Mr James King retires by rotation and, being eligible, offers himself for re-election."
- b) "In accordance with the Company's Constitution, Mr Greg Richards retires by rotation and, being eligible, offers himself for re-election."

Proxies:

In respect to this item of business, the following proxies have been received:

	<b>3(a)</b>	<b>3(b)</b>
• In favour	61,826,371	61,923,293
• Against	207,496	203,454
• Open / undirected	459,967	460,469

The Chairman intends voting the open and undirected proxies in favour of the resolution.



## Special Business

### Item 4 - Approval of Grant of Options to Executive Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

a) Approval of grant of Options to an Executive Director – Mr Terry Smart

**“That pursuant to ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the grant of 111,528 Options over Shares in the Company to Mr Terry Smart, exercisable at \$19.75 each, on the terms and conditions described in the Explanatory Notes. “**

Proxies:

In respect to this item of business, the following proxies have been received:

- |                     |            |
|---------------------|------------|
| • In favour         | 60,044,792 |
| • Against           | 2,042,851  |
| • Open / undirected | 467,830    |

The Chairman intends voting the open and undirected proxies in favour of the resolution.



## Other Business

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