

## COMPANY ANNOUNCEMENT

13 August 2018

# JB Hi-Fi Limited Full Year 2018 Results

### FY18 Highlights<sup>1</sup>

- Total sales up 21.8% to \$6.9 billion
- EBIT up 14.5% to \$350.6 million
- NPAT of \$233.2 million, up 12.3% on underlying NPAT in the pcp (up 35.3% on statutory NPAT in the pcp)
- EPS up 9.2% to 203.1 cps
- Total dividend up 11.9% to 132 cps

### FY18 Trading Performance<sup>1</sup>

JB Hi-Fi Limited ("Company") today reports net profit after tax (NPAT) up 12.3% to \$233.2 million (FY17: \$207.7 million) from \$6.9 billion of sales (FY17: \$5.6 billion) for the year ended 30 June 2018 (FY18). Total sales growth for FY18 was 21.8%. Group EBIT was up 14.5% on the pcp to \$350.6 million and EPS was up 9.2% to 203.1 cps.

Group CEO, Richard Murray, said "We are pleased to have delivered another year of record sales and earnings in FY18. It was another strong result for the JB HI-FI business in Australia, as we continue to delight our customers and deliver on our strategic objectives. Whilst it was a challenging second half for the The Good Guys business, we made strong progress towards our key initiatives as we position the business for future growth."

### **JB HI-FI Australia**

Total sales grew by 9.4% to \$4.54 billion, with comparable sales up 6.2%. Key growth categories were the Communications, Computers, Audio, Games Hardware and Drones categories. Online sales grew 32.1% to \$209.9 million or 4.6% of total sales, as the Online offer continues to improve. The Solutions business recorded strong sales growth and remains on track to deliver on the longer term aspirational sales target of approximately \$500 million per annum, through both organic growth and strategic acquisitions.

Gross profit increased by 9.1% to \$1.0 billion resulting in a gross margin of 22.2%. CODB was 14.8%, down 14 bps on the pcp. Total operating costs remained well controlled as the business managed increased volumes through the store network driven by new products, Click and Collect, Online and Commercial order fulfilment. The business's low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising unnecessary expenditure.

Strong sales growth, combined with operating cost leverage, drove strong earnings growth. EBIT was up 11.4% on the pcp to \$292.3 million with EBIT margin up 11 bps to 6.4%.

### **JB HI-FI New Zealand**

Total sales were down 1.1% to NZD231.5 million, with comparable sales up 2.4%. Following the launch of the new website in August 2017, Online sales in New Zealand grew 96.3% to NZD9.6 million or 4.1% of total sales. Gross Margin was down 49 bps on the pcp at 17.7%.

The JB HI-FI New Zealand business continues to be repositioned to improve performance, with the exit of Whitegoods (JB HI-FI HOME) and rebranding of the four stores to JB HI-FI completed in FY18. In addition, one JB HI-FI store was closed in August 2017 and another loss making store was closed in July 2018.

### **The Good Guys**

Total sales for the twelve months to 30 June 2018 were \$2.10 billion. The Company acquired The Good Guys on 28 November 2016 and accordingly for FY17, the Company consolidated approximately seven month's sales. As a result of a full year of ownership in FY18, sales on a statutory basis were up 67.0%. For comparative purposes for the same twelve months, total sales were up 1.5% with comparable sales up 0.9%. Both the Home Appliances and Consumer Electronics categories recorded sales growth. Online sales for the period were up 7.4% to \$126.8 million or 6.0% of total sales.

<sup>1</sup> Unless otherwise stated, all FY17 results and references to growth on the pcp in this announcement are based on FY17 underlying results which exclude transaction fees and implementation costs totaling \$22.4m associated with the acquisition of The Good Guys in November 2016 (The Good Guys results included from 28 November 2016 to 30 June 2017) and \$15.8m of fixed asset and goodwill impairments in New Zealand. Refer to the JB Hi-Fi Limited FY18 Results Presentation (Appendix II) for reconciliations of FY17 statutory and underlying results.

Gross profit was \$426.1 million with gross margin at 20.3%, down on the pcp primarily as a result of heightened price competition in 2HY18. CODB was 16.6%, with operating costs in line with expectations and store wages well controlled. EBIT was \$60.9 million.

“We continued to take a considered and deliberate approach to change at The Good Guys. Despite the challenging conditions in the Home Appliances market in the second half, we remained focused on sales and market share. Having owned The Good Guys for over 18 months we are now starting to realise the benefits of the scale of the combined group and remain excited by the opportunity to grow one of Australia’s leading retail brands.” said Group CEO, Richard Murray.

### Capital Management

The Board has today declared a final dividend of 46 cents per share fully franked, bringing the total dividend for FY18 to 132 cps, up 14 cps on the prior year (FY17: 118 cps). The Board believes that the dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The final dividend will be paid on 7 September 2018. The record date for determining the entitlement is 24 August 2018.

### Executive Appointment

The Company is pleased to announce the appointment of Cameron Trainor to the newly created position of Managing Director Group Merchandise. In this role Cameron will have overall responsibility for the strategic direction of the merchandise function across the entire Group.

Group Chief Executive Officer, Richard Murray, will act as interim Managing Director of the JB HI-FI business pending the appointment of a replacement.

### Support Office Co-location

In April 2019, the Company will be bringing the support office teams of The Good Guys and JB HI-FI together in Southbank, Melbourne.

“This is a really exciting project for the Group to bring two of the best retail teams in Australia under one roof.” said Group CEO, Richard Murray.

### FY19 Trading Update and Outlook

#### **July 2018 sales update:**

- Total sales growth for JB HI-FI Australia was 2.9% (July 2017: 9.3%) with comparable sales growth of 0.3% (July 2017: 6.5%);
- Total sales growth for JB HI-FI New Zealand was -2.1% (July 2017: -0.7%) with comparable sales growth of 3.4% (July 2017: -7.6%); and
- Total sales growth for The Good Guys was 2.7% (July 2017: 6.8%) with comparable sales growth of 1.4% (July 2017: 5.7%).

“July sales results were pleasing given the cycling of strong sales in the pcp and the impact of the FIFA World Cup bringing forward TV sales into June.” said Group CEO, Richard Murray.

#### **FY19 Guidance:**

In FY19 the Company expects:

- To open five JB HI-FI Australia stores, two The Good Guys stores and close one JB HI-FI New Zealand store<sup>2</sup>.
- Total Group sales to be circa \$7.1 billion, comprising:
  - JB HI-FI Australia \$4.75 billion;
  - JB HI-FI New Zealand (NZD) \$0.22 billion; and
  - The Good Guys \$2.15 billion.

Group CEO, Richard Murray, said “We are clear on our objectives for the next 12 months and are excited in the outlook for the business”.

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#### Media & Investors:

Richard Murray  
Group Chief Executive Officer  
03 8530 7303

#### Investors:

Nick Wells  
Group Chief Financial Officer  
03 8530 7303

<sup>2</sup> Closed in July 2018