

COMPANY ANNOUNCEMENT

11 February 2019

JB Hi-Fi Limited Half Year 2019 Results

HY19 Highlights

- Total sales up 4.2% to \$3.8 billion
- Positive comparable sales growth across all brands
- EBIT up 4.8% to \$236.6 million
- NPAT of \$160.1 million, up 5.5%
- EPS up 5.4% to 139.4 cps
- Interim dividend up 5.8% to 91 cps

HY19 Trading Performance

JB Hi-Fi Limited ("Company") today reports net profit after tax (NPAT) up 5.5% to \$160.1 million (HY18: \$151.7 million) from \$3.8 billion of sales (HY18: \$3.7 billion) for the half year ended 31 December 2018 (HY19). Total sales growth for HY19 was 4.2%. Group EBIT was up 4.8% on the pcp to \$236.6 million and EPS was up 5.4% to 139.4 cps.

Group CEO, Richard Murray, said "We are pleased to have delivered record sales and earnings in the first half, with JB HI-FI Australia, JB HI-FI New Zealand and The Good Guys all delivering sales and earnings growth."

JB HI-FI Australia

Total sales grew by 4.7% to \$2.59 billion, with comparable sales up 3.0%. The key growth categories were Communications, Games Hardware, Audio, Fitness and Connected Technology. Online sales grew 21.0% to \$144.4 million or 5.6% of total sales, as the Online offer continues to evolve. The Solutions business recorded double digit 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 5.2% to \$573.6 million resulting in a gross margin of 22.1%. CODB was 14.0%, up 20 bps on the pcp. Total operating costs remained well controlled as the business continued to focus on customer service, invest in strategic initiatives and manage increased volumes through the store network. The business's low CODB remains a competitive advantage and is maintained through a continued focus on productivity, minimising unnecessary expenditure and leveraging scale.

Sales growth, combined with gross margin expansion and lower depreciation as the business managed its investment in the store network, drove solid earnings growth. EBIT was up 4.5% on the pcp to \$191.9 million with EBIT margin flat at 7.4%.

JB HI-FI New Zealand

Total sales were up 5.8% to NZD131.8 million, with comparable sales up 12.6%. The key growth categories were Communications, Games Hardware, Fitness and Accessories. Online sales in New Zealand grew 65.4% to NZD7.9 million, or 6.0% of total sales, as the business continues to benefit from the improved Online platform launched in August 2017. Gross Margin was flat on the pcp at 17.5% and CODB was 15.7%, down 65 bps on the pcp. EBIT was NZD1.1 million, up NZD1.1 million on the pcp.

"We are encouraged by the improved performance in New Zealand, particularly the strong comparable sales growth which is evidence that our offer is resonating with customers. We continue to reposition the business which has included the closure of a loss making store in July, and in October the appointment of a local Managing Director, Cherie Kerrison." said Group CEO, Richard Murray.

The Good Guys

Total sales grew by 2.8% to \$1.13 billion, with comparable sales up 1.5%. The key growth categories were Refrigeration, Laundry, Floorcare, Televisions, Communications and Computers. Online sales on The Good Guys website grew strongly, however a decline in third party marketplace sales resulted in HY19 Online sales being down 2.4% to \$70.7 million or 6.3% of total sales.

Gross profit was \$233.2 million with gross margin at 20.6%, slightly down on the pcp but a significant improvement from the performance in the second half of FY18. CODB was 16.2%, with operating costs in line with expectations and store wages well controlled. Sales growth, combined with lower depreciation as significant pre-

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acquisition IT investment is now fully amortised, drove solid EBIT growth. EBIT was up 3.9% on the pcp to \$43.7 million with EBIT margin up 4 bps to 3.9%.

“We are pleased to deliver positive sales and earnings growth in the first half of FY19, a significant improvement on our performance in the second half of FY18. In a competitive environment we remained focused on sales and market share whilst continuing to evolve the business. We enter the second half excited by the opportunity to continue growing one of Australia’s leading retail brands.” said Group CEO, Richard Murray.

Capital Management

The Board has today declared an interim dividend of 91 cents per share fully franked, up 5.8% from the pcp, representing 65% of NPAT. The Board has recently reviewed the Company’s capital structure and believes the interim dividend payout ratio of 65% appropriately balances the distribution of profit to all shareholders, the repayment of debt and the reinvestment of earnings for future growth. The interim dividend will be paid on 8 March 2019. The record date for determining the entitlement is 22 February 2019.

The Board will continue to regularly review the Company’s capital structure with a focus on maximising returns to shareholders and maintaining balance sheet strength and flexibility.

FY19 Trading Update and Outlook

January 2019 sales update:

- Total sales growth for JB HI-FI Australia was 3.0% (January 2018: 7.5%) with comparable sales growth of 1.5% (January 2018: 4.8%);
- Total sales growth for JB HI-FI New Zealand was -1.8% (January 2018: -2.0%) with comparable sales growth of 4.1% (January 2018: 2.1%); and
- Total sales growth for The Good Guys was 1.8% (January 2018: -3.5%) with comparable sales growth of 0.3% (January 2018: -4.7%).

The Company continues to see positive sales growth, however in the Christmas quarter and January there has been increased volatility and a bias in customer purchasing towards key promotional periods.

FY19 Guidance:

In FY19 the Company expects:

Stores

- To open five JB HI-FI Australia stores (1HY19: four, 2HY19: one) and two The Good Guys stores (1HY19: two, 2HY19: nil)
- To close two JB HI-FI Australia stores (1HY19: nil, 2HY19: two) and one JB HI-FI New Zealand store (1HY19: one, 2HY19: nil)

Sales

- Total Group sales to be circa \$7.1 billion, comprising:
 - JB HI-FI Australia \$4.73 billion;
 - JB HI-FI New Zealand (NZD) \$0.24 billion; and
 - The Good Guys \$2.15 billion.

Profit

- Total Group NPAT to be in the range of \$237 million to \$245 million, an increase of 1.6% to 5.1% on the pcp.

Group CEO, Richard Murray, said “We are pleased with our performance in the important first half of FY19. We are clear on our objectives for the next 6 months and are excited by the outlook for the business”.

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