

COMPANY ANNOUNCEMENT

26 October 2017

Chairman's Address 2017 Annual General Meeting

Good morning ladies and gentlemen. Welcome to the 14th Annual General Meeting of JB Hi-Fi Limited.

The financial year ended 30 June 2017 was another record year for JB Hi-Fi Limited and its subsidiaries (the "Group") with sales, profits and dividends all up on the prior year and in November 2016 we successfully completed the purchase of The Good Guys. This result was driven by a combination of sales growth, a continued focus on growth in gross profit dollars and our low cost of doing business, underpinned by our continued emphasis on customer service.

The Group operates a dual branded retail offer comprising the JB Hi-Fi and The Good Guys businesses, operating across a 303 store network (as at the end of FY17) in Australia and New Zealand, online and through the Group's commercial and education solutions business.

The Group offers one of the largest ranges of home entertainment, consumer electronic and home appliances at discounted prices, positioned to appeal to all customers. We have the ability to bring brands to life and create engagement in categories. We have a culture of embracing change, which is seen as a "natural" part of the business, and are constantly innovating to ensure that we remain current and relevant to our customers.

We have a high level of loyalty and trust from our customers. The JB Hi-Fi business ranked third in the 2017 Australian Market Research ("AMR") Corporate Reputation Index, and has been recognised in the top three in each of the past five years. In February 2017, The Good Guys business was awarded the Roy Morgan Customer Satisfaction Award for Furniture/Electrical store of the year for the fifth time in six years.

In February 2017, we announced the appointment of Mark Powell as non-executive director with effect from 13 March 2017. Mark has more than 30 years' retail, wholesale and logistics experience, having held senior positions with many well-known retailers, including five years as Group CEO of the Warehouse Group in New Zealand. We are delighted to welcome Mark to the Board, he brings great experience across a range of areas as well as an in-depth knowledge of The Good Guys business, and we are very much looking forward to working with him.

The Group regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders. Continued solid earnings growth and prudent management of our balance sheet, including relatively low gearing, enables us to consider various capital management initiatives.

In November 2016, approximately \$500m of term debt was drawn to fund the acquisition of The Good Guys. As part of the acquisition of The Good Guys, we completed a 1 for 6.60 fully underwritten, pro-rata, accelerated, renounceable entitlement offer of approximately \$394 million on 6 October 2016. 15.0 million new shares were issued as part of the entitlement offer. Richard will discuss The Good Guys business in more detail in his address later today.

The Board believes that our dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The total dividend paid relating to FY17 was 118 cents per share, up 18 cents per share on the prior year.

An integral part of the Board's ongoing strategy is to encourage innovation and diversification with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This approach provides opportunities to increase revenue, margin and productivity.

As at 30 June 2017, the Group employed approximately 11,800 full-time, part time and casual staff across Australia and New Zealand. Our motivated, passionate, knowledgeable and highly trained staff members continue to be our most important asset. We believe the Group is an employer of choice, with a busy and enjoyable working environment that helps us to continue to attract and retain high calibre staff.

The Board recognises the importance of governance, environmental and social matters to our shareholders, suppliers and customers and continually reviews and monitors developments in corporate governance which are relevant to the Group. The Board is committed to ensuring that the Group's business is conducted ethically and in accordance with high standards of corporate governance.

We are proud of the JB Hi-Fi Helping Hands workplace giving program and the high level of participation amongst the Board, management and staff. In July 2017, The Good Guys business also launched its own workplace giving program in addition to its Local Giving Program. Richard will expand on both of these further in his address.

Whilst acknowledging the recent share price underperformance, the Board continues to remain focused on building long term shareholder value. For the record, since JB Hi-Fi Limited listed in October 2003:

- the share price compound annual growth rate was 20.7% to 23 October 2017, compared to 4.2% on the ASX 200 Accumulation Index over the same period;
- the underlying earnings per share compound annual growth rate was 22.5%^{1,2}; and
- the dividend per share (fully franked) compound annual growth rate was 24.0%.

More recently, for shareholders over the past five years:

- the share price compound annual growth rate was 18.0% to 23 October 2017, compared to 5.3% on the ASX 200 Accumulation Index over the same period;
- the underlying earnings per share compound annual growth rate was 12.2%^{1,2}; and
- the dividend per share (fully franked) compound annual growth rate was 12.7%.

In closing, I would like to take this opportunity to thank my fellow directors, the executive and all the team for their unwavering commitment to the ongoing prosperity of your company and its shareholders.

I now invite Richard to address the meeting on the operational results.

¹ underlying earnings excludes transaction fees and implementation costs totaling \$22.4m associated with the acquisition of The Good Guys in November 2016 and \$15.8m of fixed asset and goodwill impairments in New Zealand.

² In accordance with AASB 133, the comparative earnings per share calculations have been restated to reflect the bonus element of the entitlement offer associated with the acquisition of The Good Guys in November 2016.

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