



# **JB Hi-Fi Limited**

---

**Half Year Results Presentation – December 2006**

**13 February 2007**

---



---

## **AGENDA**

---

1. Performance
2. Trading Update
3. Financial Detail
4. New Stores
5. Investment Scorecard

**Richard Uechtritz**  
**CEO**

**Richard Murray**  
**CFO**



# 1. PERFORMANCE

---

## Strong performance for 6 months to 31 December 2006:

		Growth against PCP
❑ Sales	\$658.9m	<b>29.2%•</b>
❑ Comparable store sales growth (JB Hi-Fi Stores: 7.7%, CA Stores: -7.8%)	5.8%	
❑ NPAT	\$26.2m	<b>39.1%•</b>
❑ Earnings per share	25.3 cps	<b>38.1%•</b>
❑ Return on invested capital	34.5%	<b>+5.1%•</b>
❑ Dividend – fully franked *	5.0 cps	<b>38.9%•</b>

\* to be paid 16 April 2007 (record date 26 March 2007).



---

## 2. TRADING UPDATE

---

### Trading Performance

- ◆ 1<sup>st</sup> half comparative store growth was 7.7% for JB Hi-Fi stores and -7.8% for CA stores (5.8% consolidated).
- ◆ Solid Christmas sales.
- ◆ Most categories were solid over Christmas with DVD, games and portable audio very strong. JB Hi-Fi has cemented itself as a leading games retailer and looks forward to further growth with the release of Sony's PlayStation 3 on 23 March 2007.
- ◆ Due to overall growth of gift categories as a % of business (ie CD, DVD, Games, Portable Audio and Cameras), JB Hi-Fi sales growth will increasingly have a bias to the first half.
- ◆ Sales in January were soft, however sales to date in February have been in line with expectations and we are comfortable with analysts forecasts (average \$32.7m) for the full year net profit.
- ◆ The company continues to grow its market share in the newly introduced computer category with the rollout to most stores to be completed by the end of FY07. 35 JB Hi-Fi stores traded with computers through Christmas.
- ◆ Clive Anthonys results were impacted by increased competition near the main store and weak air conditioner sales due to an unseasonably cool summer in South East Queensland. JB Hi-Fi anticipates taking full ownership of Clive Anthonys effective 1 July 2007 (as previously contracted).

### Financial Metrics

- Gross margin was stable after adjusting for impact of games and computers (new categories).
- Cost of doing business down 81 bps to 15.0% (pcp 15.8%).



---

## **2. TRADING UPDATE**

---

### **New Stores**

- Opened 7 new JB Hi-Fi stores in first half which are all trading well.
- Planning to open 6 new JB Hi-Fi stores in 2nd half.
- Canberra City expanded to full JB Hi-Fi offering.

### **Industry**

- Competitive climate continues to drive industry rationalisation (eg. Retravisation NSW & Betta Electrical difficulties).

### **New Zealand**

- The company's proposed acquisition of the 11 store New Zealand chain Hill & Stewart on 1 March is on track.
- Hill & Stewart had a strong Xmas and sales in January and February to date have also been strong.
- The company has now signed three leases in Auckland for JB Hi-Fi stores. These stores are located in the Auckland Central Business District, Westfield Manukau City and Westfield Albany and are expected to open in April '07, July/August '07 and October/November '07 respectively. Other potential sites are under negotiation.

### 3. FINANCIAL DETAIL

#### Profit and Loss Statement:

\$m	1H 07	1H 06	Growth
<b>Sales</b>	<b>658.9</b>	<b>509.8</b>	<b>29.2%</b>
Comparative Store Sales Growth	5.8%	5.3%	
<b>Gross Profit</b>	<b>145.9</b>	<b>114.8</b>	<b>27.1%</b>
Gross Margin *	22.1%	22.5%	- 0.4%
<b>EBITDA</b>	<b>46.4</b>	<b>34.4</b>	<b>34.9%</b>
Depreciation & Amortisation	5.1	3.6	
<b>EBIT</b>	<b>41.3</b>	<b>30.8</b>	<b>34.1%</b>
EBIT Margin	6.3%	6.0%	+ 0.3%
<b>Net Profit After Tax (net of OEI)</b>	<b>26.2</b>	<b>18.8</b>	<b>39.1%</b>
<b>Headline Statistics:</b>			
Earnings per share (basic, cents)	25.3	18.3	38.1%
Stores at period end	72	60	+ 12
<b>Cost of doing business</b>	<b>15.0%</b>	<b>15.8%</b>	<b>- 0.8%</b>

\* Gross margin after removing the impact of the Company's expansion into the new product categories of Games and Computers was 23.0% (HY06: 22.8%).

## Balance Sheet:

\$m	1H 07	1H 06	Growth
Cash	83.4	45.5	37.9
Receivables	55.4	44.0	11.4
Inventories	188.7	160.1	28.6
Other Current Assets	3.2	2.0	1.2
<b>Total Current Assets</b>	<b>330.7</b>	<b>251.6</b>	<b>79.1</b>
Fixed Assets	69.7	50.6	19.1
Brandname & Goodwill	66.7	66.7	-
Other Non-Current	6.2	2.8	3.4
<b>Total Non-Current Assets</b>	<b>142.6</b>	<b>120.1</b>	<b>22.5</b>
<b>Total Assets</b>	<b>473.3</b>	<b>371.7</b>	<b>101.6</b>
Payables	237.9	198.7	39.2
Borrowings	0.2	0.2	-
Other	19.4	14.3	5.1
<b>Total Current Liabilities</b>	<b>257.5</b>	<b>213.2</b>	<b>44.3</b>
Borrowings	100.1	75.8	24.3
Other Non-Current Liabilities	7.7	4.1	3.6
<b>Total Non-Current Liabilities</b>	<b>107.8</b>	<b>79.9</b>	<b>27.9</b>
<b>Total Liabilities</b>	<b>365.3</b>	<b>293.1</b>	<b>72.2</b>
<b>Net Assets (net of OEI)</b>	<b>102.8</b>	<b>74.3</b>	<b>28.5</b>

## Cashflow Statement:

\$m	1H 07	1H 06
EBITDA	46.4	34.4
Change in Working Capital	65.5	40.4
Net Interest Paid	(3.3)	(2.5)
Income Tax Paid	(8.5)	(6.2)
<b>Net Cashflow from Operations</b>	<b>100.1</b>	<b>66.1</b>
Purchases of F,F & E	(17.9)	(17.0)
Other	-	0.2
<b>Net Cashflow from Investing</b>	<b>(17.9)</b>	<b>(16.8)</b>
Net Borrowings	(0.3)	(1.9)
Proceeds from issue of equity	1.1	0.2
Dividends Paid	(4.2)	(3.7)
<b>Net Cashflow from Financing</b>	<b>(3.3)</b>	<b>(5.4)</b>
<b>Net Change in Cash Position</b>	<b>78.9</b>	<b>43.9</b>
<b>Cash at the end of Period</b>	<b>83.4</b>	<b>45.5</b>



**Continued proactive management of working capital position:**

\$m	1H 07	1H 06
(Increase)/Decrease in current assets		
Inventory	(27.5)	(57.9)
Receivables	(27.1)	(24.1)
Other Current Assets	(0.4)	0.6
Increase/(Decrease) in current liabilities		
Trade creditors	116.3	120.6
Other current liabilities	4.2	1.2
<b>Net Movement in Working Capital</b>	<b>65.5</b>	<b>40.4</b>

- ◆ New stores resulted in a \$20.1m increase in inventory during the 1<sup>st</sup> half. The remaining increase in inventory was a result of the continued rollout of computers and the expansion of a number of established stores.
- ◆ Stock and creditors turnover was consistent with pcp.

---

**Performance Indicators:**

JB Hi-Fi's balance sheet remains strong, and the group is well positioned for continued growth.

	1H 07	1H 06
Stock Turnover	5.8	6.0
Creditors Days	64.7	64.5
Fixed Charge Ratio	3.7	3.7
Interest Cover (times)	10.9	10.2
Return on Equity	25.5%	25.3%
Return on Invested Capital	34.5%	29.4%

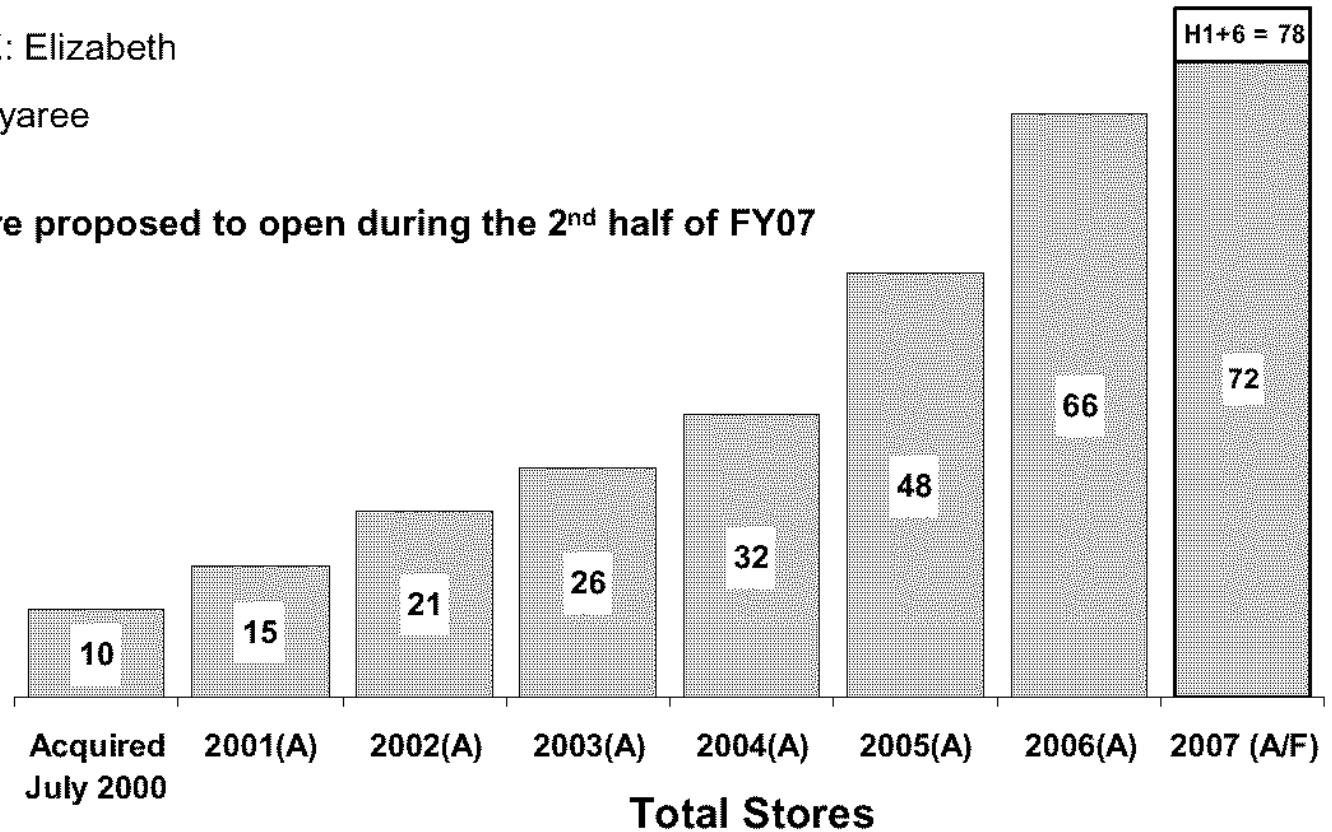


## 4. NEW STORES

7 JB Hi-Fi stores were opened during the 1<sup>st</sup> half of FY07:

- NSW: Wollongong
- BRISBANE: Carindale, Chermside
- MELBOURNE: Broadmeadows, Essendon
- ADELAIDE: Elizabeth
- PERTH: Myaree

6 JB Hi-Fi stores are proposed to open during the 2<sup>nd</sup> half of FY07



---

## **5. INVESTMENT SCORECARD**

---

### **Strong growth, profitability & sustainable competitive advantage:**

#### Growth factors:

- Continued focused exposure to growth home entertainment product market
- Recently opened stores continue to mature strongly
- JB Hi-Fi new store roll-out continues, with plenty of site opportunities
- Clive Anthonys provides exposure to different markets and demographics
- H&S acquisition will provide a solid base for our JB Hi-Fi store expansion in New Zealand

#### Profitability underpinned by:

- Low cost of doing business at 15.0%
- High stock turns at 5.8 times
- Low capital investment and high return on invested capital
- Buying power increasing as we grow

#### Sustainable competitive advantage:

- Low cost and large scale operations
- Discount positioning provides some protection from the volatile retail economic cycle
- Distinctive branding and prominent retail locations
- Continued ability to attract and retain good staff