



**JB Hi-Fi Limited**

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**Full Year Results Presentation – June 2008**

**19 August 2008**

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## Agenda

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1. Performance
2. Historical Performance
3. Trading Update
4. Financial Detail
5. Dividends
6. Store Update
7. Investment Checklist

Richard Uechtritz  
CEO

Richard Murray  
CFO

# 1. PERFORMANCE

Strong performance for 12 months to 30 June 2008



	FY08	Growth
q Sales	\$1.83b	42.7% $\hat{U}$
q Comparable store sales growth	15.3%	
q EBIT Margin	5.6%	+48 bps $\hat{U}$
q NPAT	\$65.1m	61.1% $\hat{U}$
q Earnings per share	61.8 cps	59.3% $\hat{U}$
q Total dividend - fully franked (Final dividend - fully franked * = 16.0 cps)	26.0 cps	136.0% $\hat{U}$

\* to be paid 16 September 2008 (record date 28 August 2008).

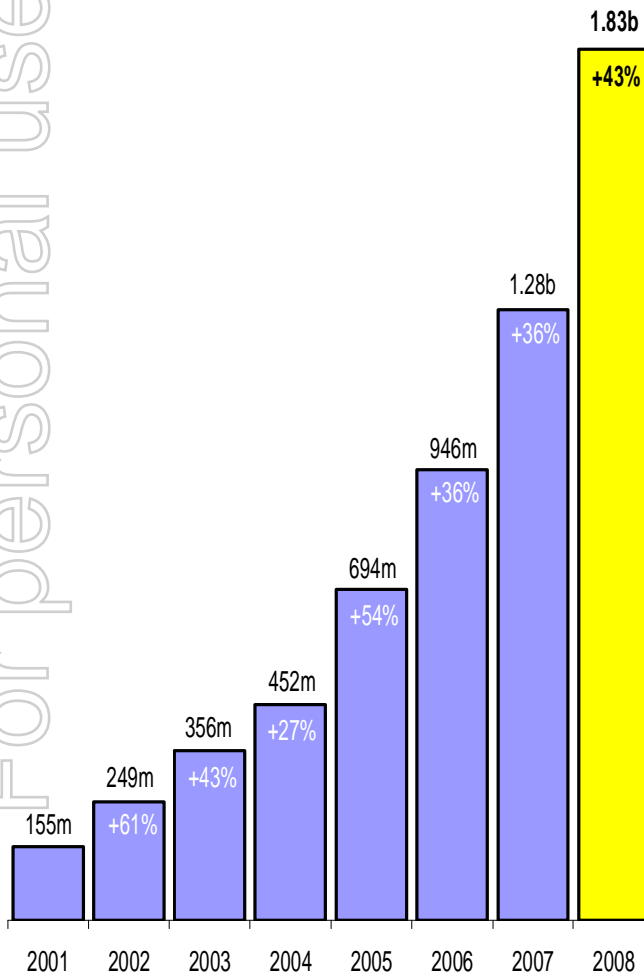
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## 2. HISTORICAL PERFORMANCE

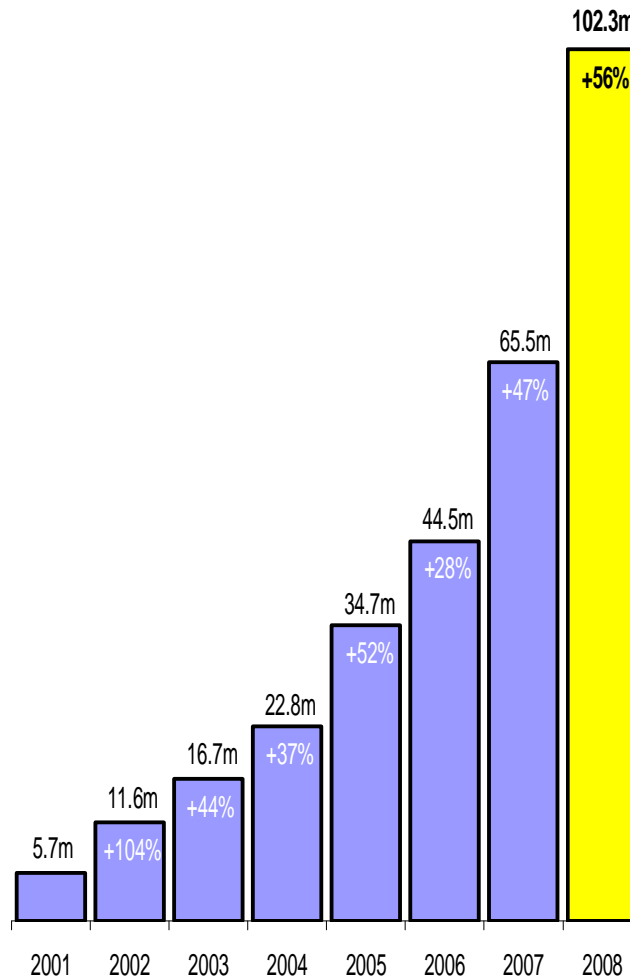
Strong growth in sales & earnings since MBI in July 2000



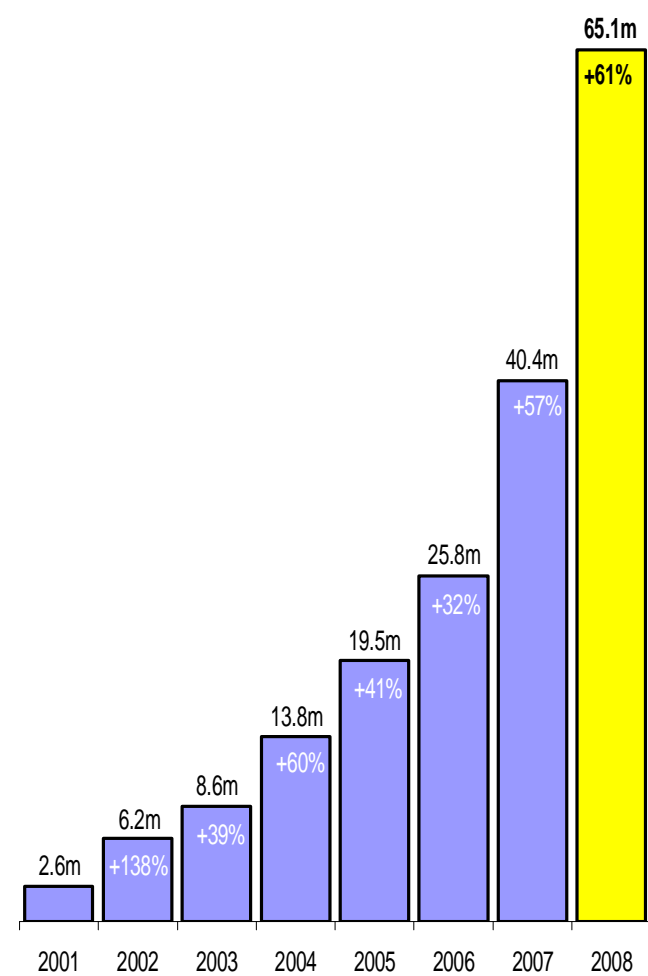
### SALES +43%



### EBIT +56%



### NPAT +61%



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### 3. TRADING UPDATE



#### Trading Performance

- § Strong result is very pleasing – the company has traded well through the softest retail climate for many years.
- § Again demonstrates how strong and resilient the JB model is.
- § Home entertainment showing signs of being a more staple purchase as consumers keep up with technology.
- § Consolidated comparable store sales growth for FY08 was 15.3%.
- § Games, Computers/IT and Visual continue to grow strongly.
- § Computers/IT now a significant category in company – confident of continued solid growth from market share gains and industry growth.
- § Mobile Consumer Electronics (Telco) gaining traction – confident of solid growth going forward.

#### Financial Metrics

- § Gross margin at 21.9% was pleasing given the growth of lower margin product categories of games and computers combined with the roll-out of JB Hi-Fi New Zealand and our investment in everyday low prices.
- § Cost of doing business was down 74 bps to 15.3% (pcp: 16.0%), driven by our low cost culture, operating leverage, labour productivity and marketing economics of scale.
- § The lowest cost of doing business of any listed retailer will continue to support our everyday low price strategy moving forward in tough times.

#### New Stores

- § Opened 18 new JB Hi-Fi stores (Aust: 14, NZ: 4) and 2 Clive Anthonys stores during the year.
- § 3 stores were relocated in Australia and 4 small subscale H&S stores were closed.
- § Planning to open approximately 24 stores across Australia and New Zealand in FY09.

### 3. TRADING UPDATE ....

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#### **Australia**

- § Sales grew 37.7% to \$1.7b with comparable store sales up 16.5%.
- § Gross margin at 22.2% was consistent with FY07 (22.2%), pleasing given the growth of newer lower margin categories.
- § Cost of doing business down 95 bps to 15.0%.
- § Mobile consumer electronics (telecommunications) rollout has been completed.
- § Comparable store sales YTD for FY09 up 19.6%.
- § Sales YTD for FY09 up on internal budgets.

#### **New Zealand**

- § Sales grew 57.3% to NZ\$109.2m driven by the JB branded stores.
- § Both gross margin and CODB reflect Year 1 of NZ expansion and a significant investment in new and existing stores under both brands, plus a significant strengthening of the support office to ensure a solid platform for growth going forward.
- § Comparable store sales in FY08 down 10.9% (H&S), attributable to a weak NZ economy and competitive market. Comparable store sales YTD for FY09 up 8.8%.

### 3. TRADING UPDATE ....

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#### Trading Outlook

- § Comparable store sales growth YTD for FY09 was 19.2%.
- § Games, Computers/IT and Visual continue to drive significant comparable store sales.
- § Underlying comparable store sales growth (ie excluding games and computers) still remains solid driven by strong store traffic.
- § In New Zealand JB stores opened in FY08 will contribute positively to earnings but we will remain subscale in our advertising and support office as we continue to invest in establishing the JB brand.
- § Current economic outlook/conditions in both countries were taken into account when setting sales targets.
- § Home entertainment sales have proven somewhat resilient to the current economic climate.
- § Expect sales in FY09 of circa \$2.35 billion or a 28% increase (FY08: \$1.83b).
- § Any interest rate cuts going forward should boost retail sales.

#### Industry

- § Continues to consolidate – big getting bigger and stronger (Harvey Norman, JB Hi-Fi, Good Guys).
- § All categories remain very competitive.
- § Games, visual, movies, navigation, computers and telco all have good growth forecasts.

## 4. FINANCIAL DETAIL

### Profit and Loss Statement



\$AUDm	AUST			NZ	CONSOLIDATED		
	FY08	FY07	Growth		FY08	FY07	Growth
<b>Sales</b>	1,735.1	1,259.9	37.7%	93.5	<b>1,828.6</b>	<b>1,281.8</b>	<b>42.7%</b>
<b>Gross Profit</b>	384.6	279.1	37.8%	15.1	<b>399.7</b>	<b>283.4</b>	<b>41.1%</b>
Gross Margin	22.2%	22.2%	+1 bps	16.2%	21.9%	22.1%	-25 bps
<b>EBITDA</b>	121.0	76.4	58.5%	(4.0)	<b>117.0</b>	<b>76.4</b>	<b>53.1%</b>
Depreciation & Amortisation	13.8	10.7		0.9	14.7	10.9	
<b>EBIT</b>	107.2	65.7	63.2%	(4.9)	<b>102.3</b>	<b>65.5</b>	<b>56.0%</b>
EBIT Margin	6.2%	5.2%	+96 bps	(5.2%)	5.6%	5.1%	+48 bps
<b>Net Profit After Tax (net of OEI)</b>					<b>65.1</b>	<b>40.4</b>	<b>61.1%</b>
<b>Headline Statistics:</b>							
Earnings per share (basic, cents)					61.8	38.8	59.3%
Cost of doing business	15.0%	16.0%	-95 bps	20.4%	15.3%	16.0%	-74 bps <sup>1</sup>
Stores at period end	93	77	+16 stores	12	105	89	+16 stores

<sup>1</sup> Net increase

#### Delivering on our every day low prices strategy

- § Our lower cost of doing business (CODB) has allowed us to manage the impact of product mix on our gross margins; support our every day low pricing philosophy and improve our earnings margin.
- § Since listing, reductions in Gross Margin have been offset by a larger drop in our cost of doing business.
- § This reduction in CODB has been achieved whilst we have pursued an aggressive store rollout program, opening 67 new stores.
- § Whilst we believe we have the lowest cost base in the industry, we continue to focus on ways of improving even further.



## 4. FINANCIAL DETAIL...



### Balance Sheet

\$m	FY08	FY07	Movement
Cash	-	23.7	(23.7)
Receivables	53.0	45.2	7.8
Inventories	271.9	211.2	60.7
Other Current Assets	5.3	3.5	1.8
<b>Total Current Assets</b>	<b>330.2</b>	<b>283.6</b>	<b>46.6</b>
Fixed Assets	112.9	80.1	32.8
Brandname & Goodwill	81.2	80.7	0.5
Other Non-Current	11.5	9.0	2.6
<b>Total Non-Current Assets</b>	<b>205.6</b>	<b>169.8</b>	<b>35.9</b>
<b>Total Assets</b>	<b>535.8</b>	<b>453.4</b>	<b>82.4</b>
Payables	206.1	185.4	20.7
Other	33.3	24.0	9.3
<b>Total Current Liabilities</b>	<b>239.4</b>	<b>209.4</b>	<b>30.0</b>
Borrowings	123.0	117.7	5.3
Other Non-Current Liabilities	9.5	7.5	2.0
<b>Total Non-Current Liabilities</b>	<b>132.5</b>	<b>125.2</b>	<b>7.3</b>
<b>Total Liabilities</b>	<b>371.9</b>	<b>334.6</b>	<b>37.3</b>
<b>Net Assets</b>	<b>163.9</b>	<b>118.8*</b>	<b>45.1</b>

\* net of OEI

## 4. FINANCIAL DETAIL....



### Cashflow Statement

\$m	FY08	FY07
<b>EBITDA</b>	<b>117.0</b>	<b>76.4</b>
Change in Working Capital	(44.8)	5.6
Net Interest Paid	(8.9)	(7.1)
Income Tax Paid	(28.0)	(15.2)
Other non cash items	7.1	4.4
<b>Net Cashflow from Operations</b>	<b>42.4</b>	<b>64.0</b>
Purchases of P&E	(51.3)	(34.3)
Investments	(8.2)	(19.2)
<b>Net Cashflow from Investing</b>	<b>(59.5)</b>	<b>(53.5)</b>
Net Borrowings	5.8	15.8
Proceeds from issue of Equity	3.0	2.2
Dividends Paid	(16.9)	(9.4)
<b>Net Cashflow from Financing</b>	<b>(8.1)</b>	<b>8.6</b>
<b>Net Change in Cash Position</b>	<b>(25.2)</b>	<b>19.2</b>
<b>Cash at the end of Period</b>	<b>(1.5)</b>	<b>23.7</b>

## 4. FINANCIAL DETAIL...



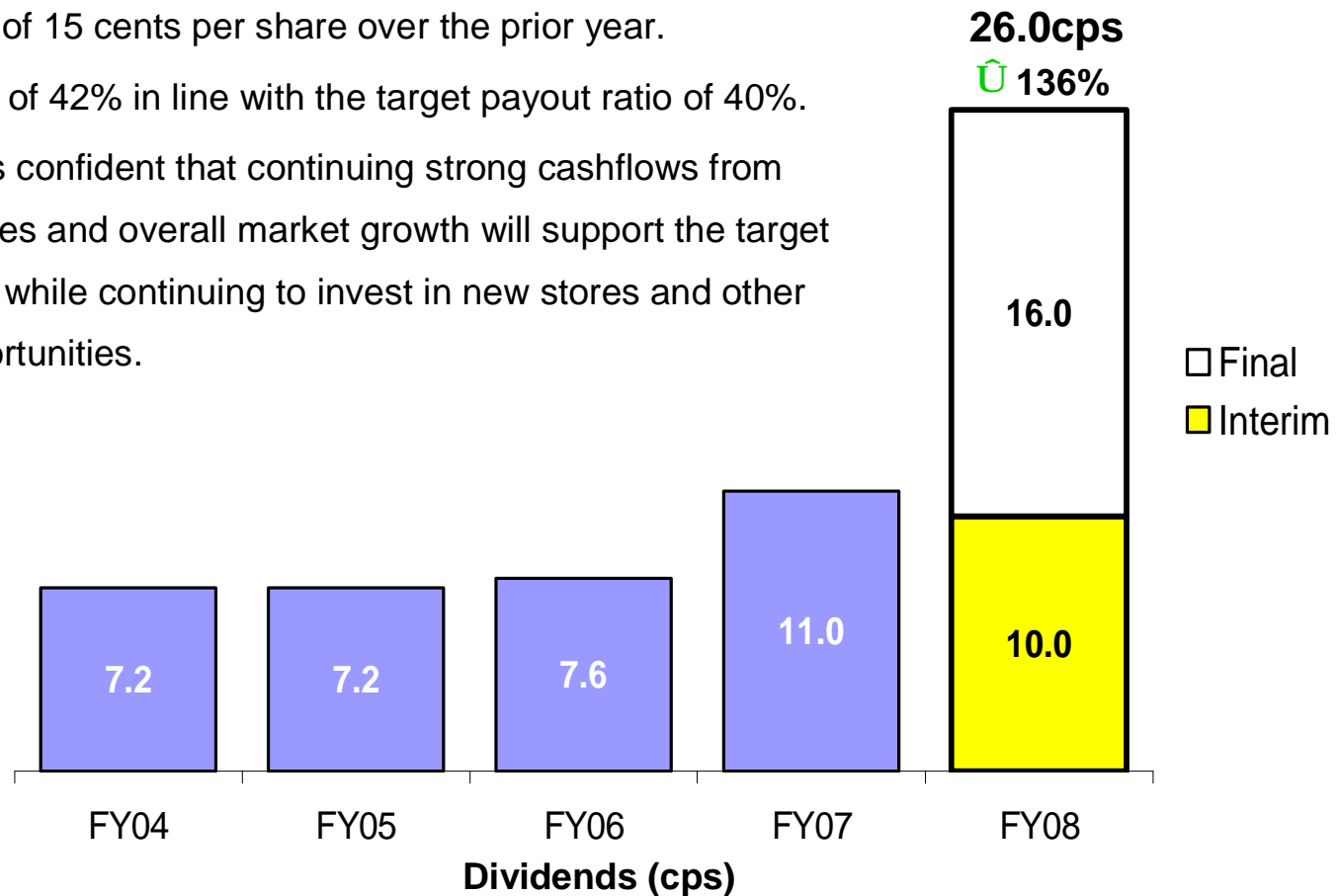
### Working capital and key ratios:

\$m	FY08	FY07	
(Increase)/Decrease in current assets			
Inventory	(59.5)	(42.6)	§ Inventory turnover has improved to 5.9 times (FY07: 5.4 times).
Receivables	(4.9)	(14.3)	
Other current assets	(1.8)	(0.6)	§ Like for like inventory turnover was 5.9 times (FY07: 5.3 times).
Increase/(Decrease) in current liabilities			
Trade creditors	17.5	58.1	§ Inventory management has been enhanced in all categories.
Other current liabilities	3.9	4.9	
<b>Net Movement in Working Capital</b>	<b>(44.8)</b>	<b>5.6</b>	§ Inventory has increased overall due to new store inventory of \$56.3m.
<b>Performance Indicators:</b>			§ The remaining increase is due to our expansion into games software, computers, telco and store expansions.
Stock Turnover	5.9	5.4	
Creditors Days	50.0	56.3	
Fixed Charge Ratio	3.3	2.9	
Interest Cover (times)	11.0	8.2	§ Trade creditors were lower at year end due to the changing mix of suppliers.
Return on Equity	39.7%	36.0%	
Return on Invested Capital	35.5%	30.7%	§ Working capital is an ongoing focus of management and in-line with current expectations.

## 5. DIVIDENDS



- § The full year dividend has been increased 10 cents to 16.0 cents per share fully franked.
- § This brings the total dividends for FY08 to 26.0 cents per share, an increase of 15 cents per share over the prior year.
- § Payout ratio of 42% in line with the target payout ratio of 40%.
- § The board is confident that continuing strong cashflows from existing stores and overall market growth will support the target payout ratio while continuing to invest in new stores and other growth opportunities.



## 6. STORE UPDATE

20 stores opened in FY08



Ø 18 JB Hi-Fi stores were opened during FY08:

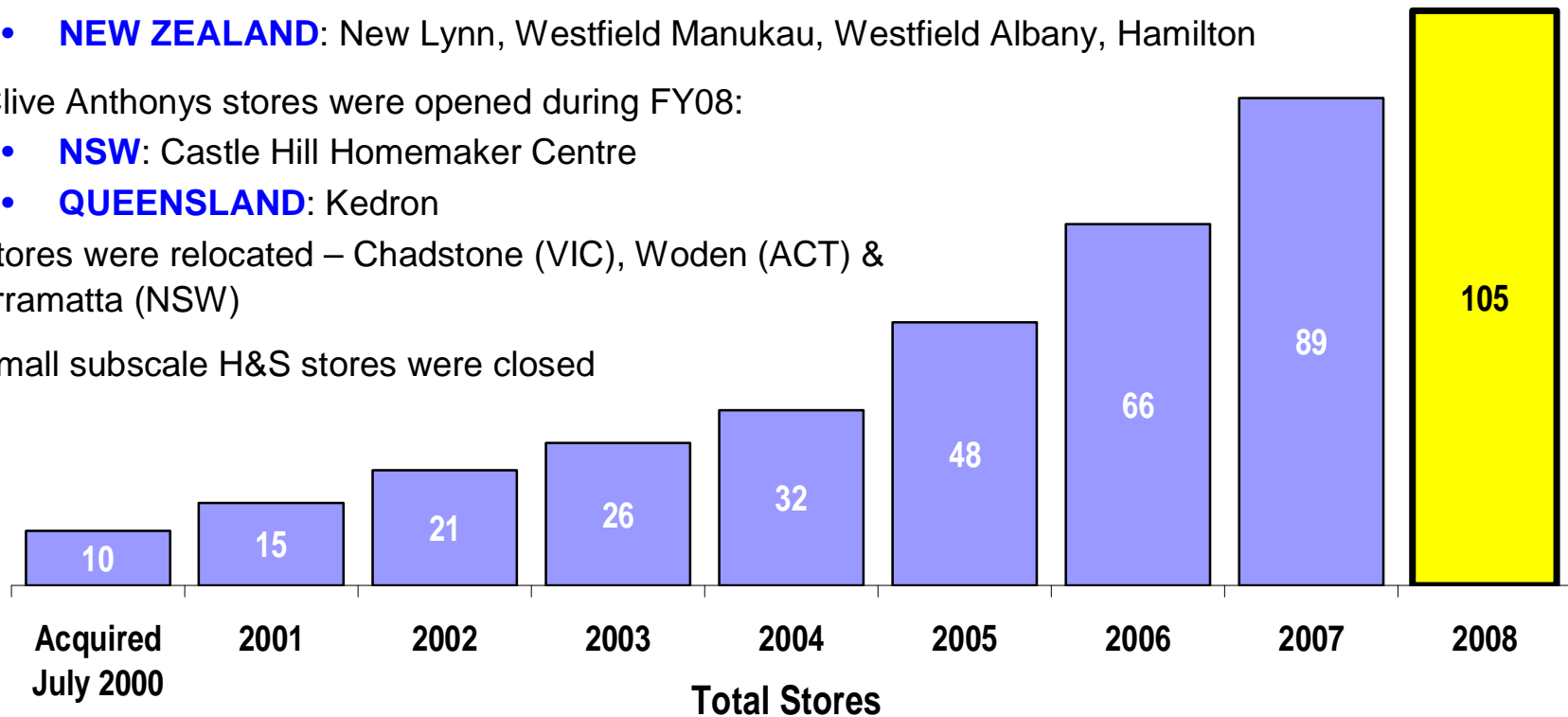
- **NSW:** Rouse Hill, Westfield Kotara, Westpoint Blacktown, Westfield Parramatta, Strand Arcade
- **QUEENSLAND:** Toowoomba, Westfield Strathpine, Townsville
- **VICTORIA:** Epping Plaza, Westfield Doncaster, Plenty Valley, Cranbourne
- **SOUTH AUSTRALIA:** Westfield West Lakes
- **TASMANIA:** Hobart CBD
- **NEW ZEALAND:** New Lynn, Westfield Manukau, Westfield Albany, Hamilton

Ø 2 Clive Anthonys stores were opened during FY08:

- **NSW:** Castle Hill Homemaker Centre
- **QUEENSLAND:** Kedron

Ø 3 stores were relocated – Chadstone (VIC), Woden (ACT) & Parramatta (NSW)

Ø 4 small subscale H&S stores were closed



## 6. STORE UPDATE....

24 new stores to open in FY09



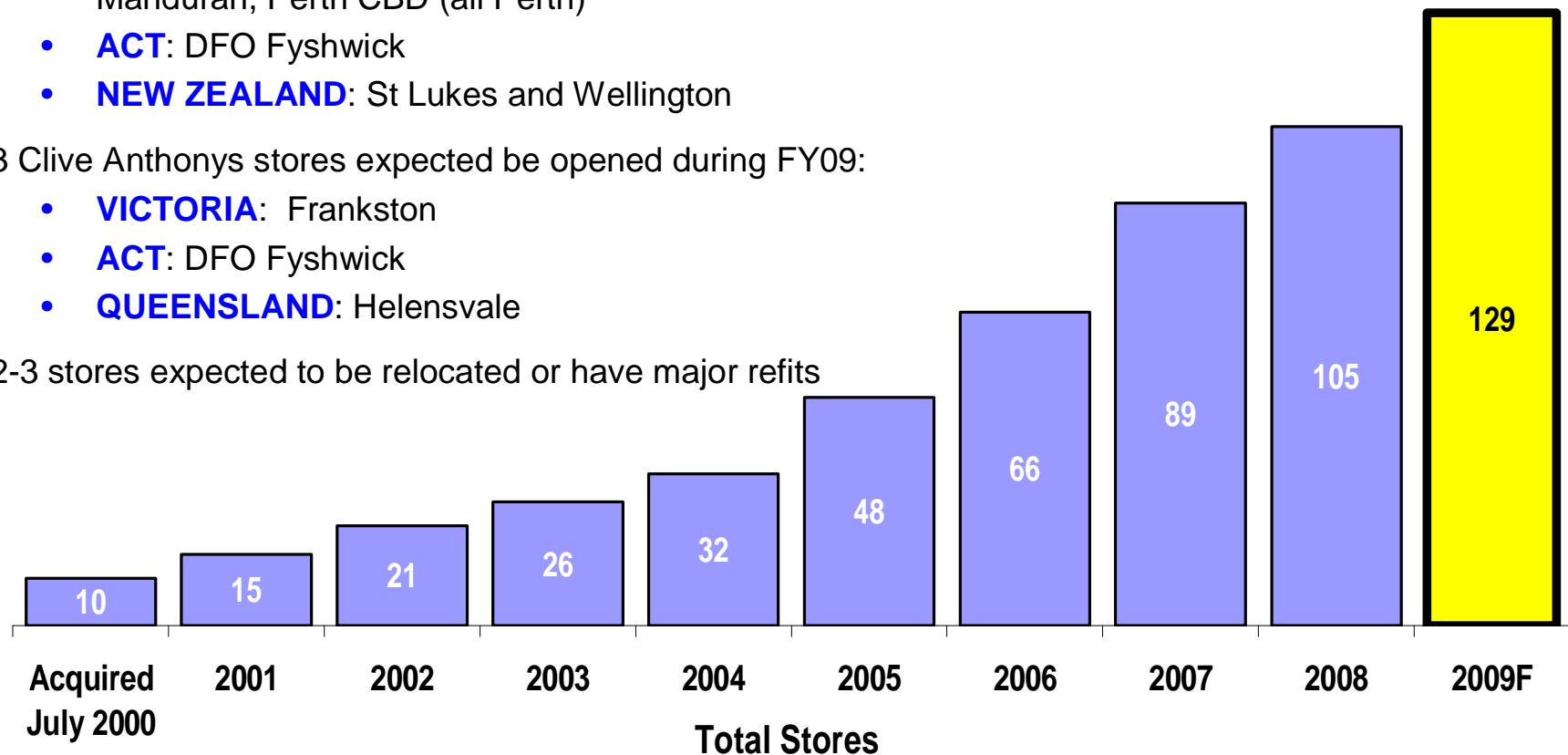
Ø 21 JB Hi-Fi stores expected be opened during FY09:

- **NSW:** Albury, Tweed Heads, undisclosed (Syd.), Pagewood (Syd.), Penrith (Syd.)
- **QUEENSLAND:** Morayfield, North Lakes (Bris.), Cairns, Rockhampton
- **VICTORIA:** Bendigo
- **WA:** Malaga, Cockburn, Cannington, Joondalup, Claremont, Rockingham, Mandurah, Perth CBD (all Perth)
- **ACT:** DFO Fyshwick
- **NEW ZEALAND:** St Lukes and Wellington

Ø 3 Clive Anthonys stores expected be opened during FY09:

- **VICTORIA:** Frankston
- **ACT:** DFO Fyshwick
- **QUEENSLAND:** Helensvale

Ø 2-3 stores expected to be relocated or have major refits



## 7. INVESTMENT CHECKLIST



- ▣ Strong and unique retail model.
- ▣ Operates mainly in high growth home entertainment and technology sector.
- ▣ Low cost of doing business – best of listed retailers.
- ▣ Many new store opportunities
  - JB circa 150 in Australia and New Zealand (90 end FY08)
  - CA substantial growth potential
- ▣ Big growth potential from computer and mobile consumer electronics (telco) categories.
- ▣ Size and continued high growth gives us great buying power and advertising synergies.
- ▣ Low capital investment and high return on invested capital.
- ▣ Strength and depth of management.

# APPENDIX I



## Store movements during FY08

	FY07	FY08		
		Opened	Closed	Total
<b>AUSTRALIA</b>				
JB Hi-Fi	71	14	-	85
Clive Anthony's	6	2	-	8
	<b>77</b>	<b>16</b>	<b>-</b>	<b>93</b>
<b>NEW ZEALAND</b>				
JB Hi-Fi	1	4	-	5
Hill & Stewart	11	-	4	7
	<b>12</b>	<b>4</b>	<b>4</b>	<b>12</b>
	<b>89</b>	<b>20</b>	<b>4</b>	<b>105</b>
<b>Store Format:</b>				
Shopping centres	39	12	-	51
Other	50	8	4	54
	<b>89</b>	<b>20</b>	<b>4</b>	<b>105</b>

## Geographic breakdown

