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JB Hi-Fi Limited

Half Year Results Presentation
31 December 2010



7 February 2011



Agenda



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

Terry Smart
CEO

Richard Murray
CFO

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1. PERFORMANCE SUMMARY

Strong performance for 6 months to 31 December 2010

	HY10	HY11	Growth
☐ Sales	\$1.55b	\$1.68b	8.3% ↑
☐ Gross Margin	21.1%	21.5%	+44 bps ↑
☐ Cost of Doing Business	13.2%	13.2%	0 bps -
☐ EBIT	\$111.4m	\$127.0m	14.0% ↑
☐ EBIT Margin	7.2%	7.5%	+38 bps ↑
☐ NPAT	\$76.0m	\$87.9m	15.6% ↑
☐ Earnings per share	70.5 cps	80.6 cps	14.5% ↑
☐ Return on Invested Capital	49.3%	61.2%	+11.9% ↑
☐ Interim dividend - fully franked	33.0 cps	48.0 cps*	+15.0 cps ↑

* represents a payout ratio of 60% of HY11 earnings - to be paid 4th March 2011 (record date 17th February 2011).



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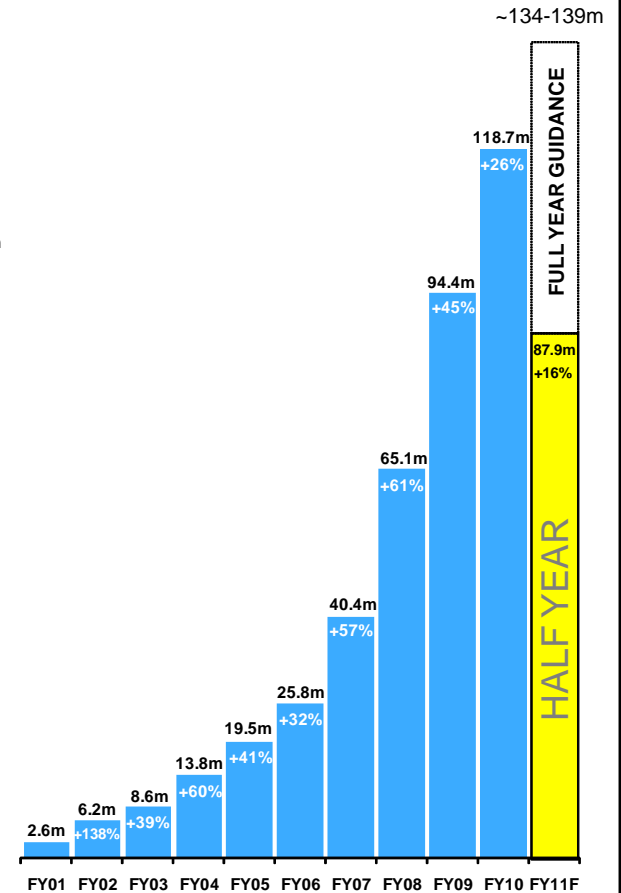
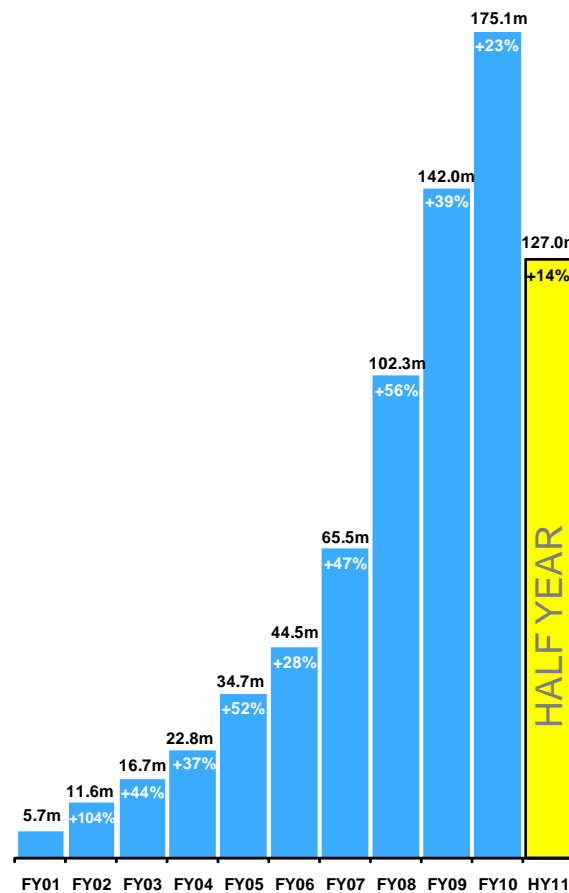
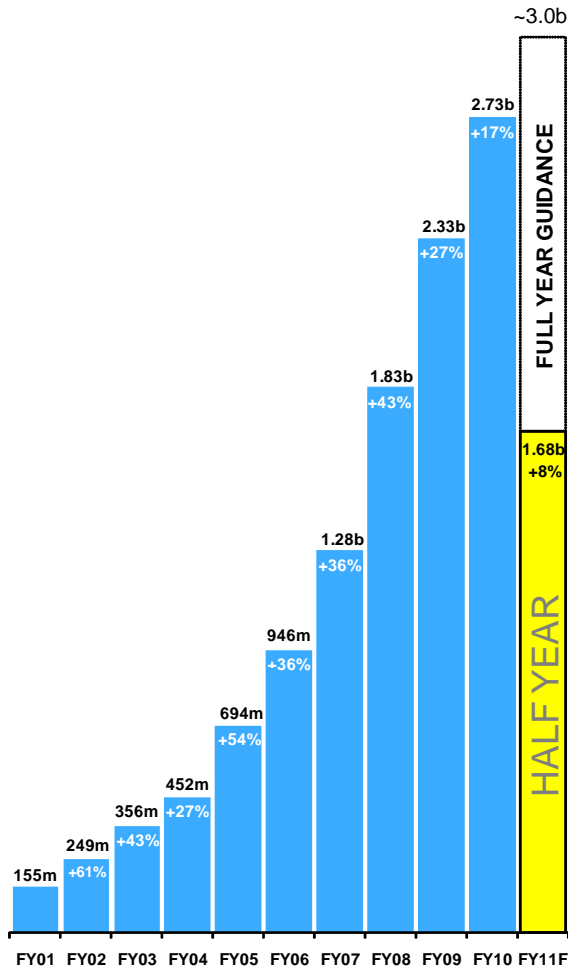
2. HISTORIC PERFORMANCE

Strong growth in sales and earnings since MBI in July 2000

SALES +8%

EBIT +14%

NPAT +16%



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3. TRADING PERFORMANCE



Sales

- Consolidated sales were up by 8.3%.
- Consolidated comparable store sales growth was negative 1.5%.
- A pleasing result given tough trading conditions combined with cycling the strong 9.9% comparable store sales from the first half of last year.
- Overall sales continued to be impacted by subdued consumer spending.
- The market remained extremely competitive, with the Christmas period seeing discounting intensify. We continued to ensure we remained competitive throughout the period.
- In Australia, JB Hi-Fi stores consumer electronics (CE) comparable sales growth was 4.4%, with strong growth in Computers and Telco. Price deflation continued to be experienced in flat panels and, while unit growth was positive, the significant movement in the average selling prices resulted in lower comparable store sales.
- In Australia, JB Hi-Fi stores software (music, movies and games) declined on a comparable store basis by 10.0%, driven predominately by the games category at negative 18.0%. This negative comparable growth was driven by reduced sales of Nintendo Wii, Nintendo DS and the Sony PSP consoles as they cycled the strong growth from last year. We did however have solid comparable growth from both the Sony PS3 and Microsoft Xbox platforms.
- We continue to gain market share in all software categories, with customers attracted to our great prices and broad range. We continue to invest in all software categories, with it being an important part of every new store that we roll out.

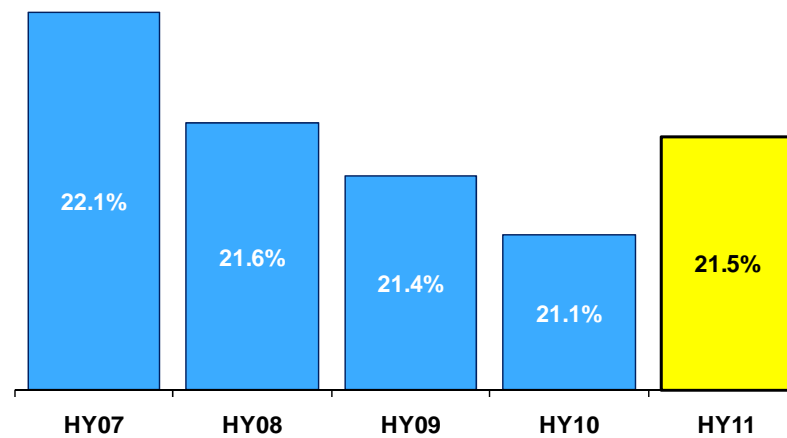


3. TRADING PERFORMANCE...

Gross Margin

- Gross Margin was 21.5%, a 44 bps increase on the prior period.
 - The strength in gross margin was pleasing given the increased discounting within the market.
 - This improved gross margin result was driven by positive outcomes such as:
 - Continued increasing scale driving improved levels of supplier support;
 - Product mix changes were positive for overall gross margin;
 - Merchandising strategy focused on margin generating products; and
 - Continued focus on inventory management – out of stocks, returns, shrinkage and obsolescence.

Gross Margin

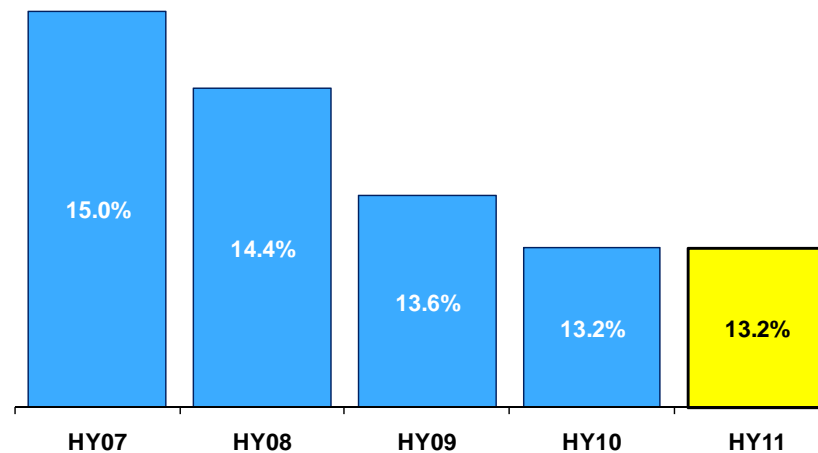


3. TRADING PERFORMANCE...

Cost of Doing Business (CODB)

- CODB was flat at 13.2%, supported by our low cost culture, operating leverage, labour productivity and marketing economies of scale.
- In Australia, our CODB was up 1 bps to 13.1%. A pleasing result given negative comparable store sales and the 4.28% retail award wage increase on 1 July 2010.
- Our low CODB underpins our every day low price philosophy.

Cost of doing business



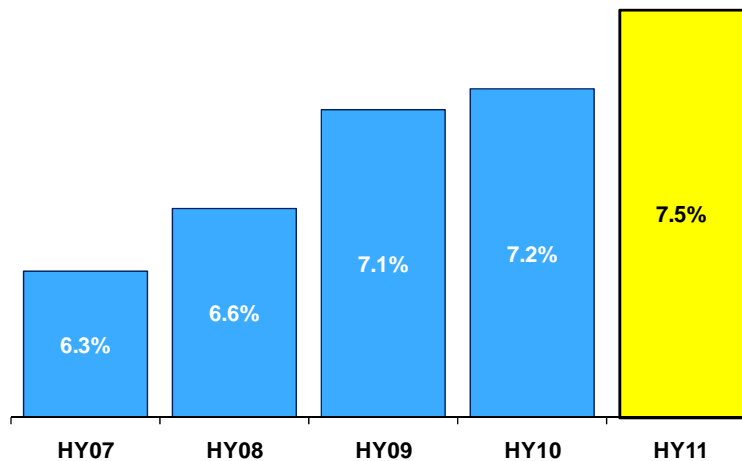


3. TRADING PERFORMANCE...

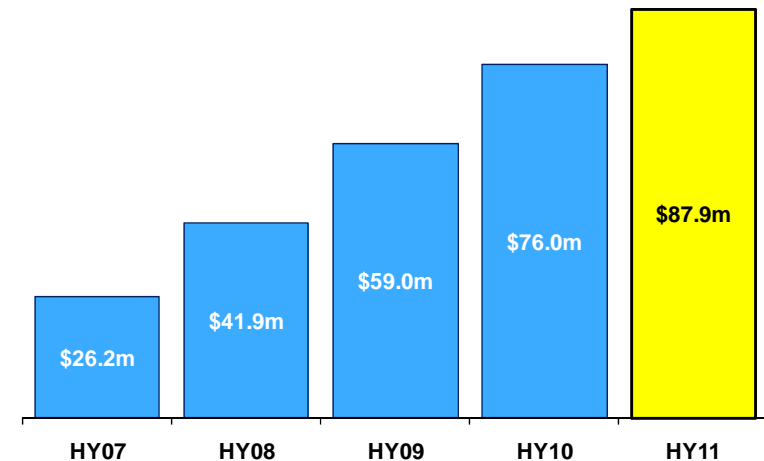
Earnings

- EBIT increased 14.0% to \$127.0m.
- EBIT margin at 7.5% was a 38 bps increase on the prior period.
- EBIT growth was driven by a combination of improved gross profit and a controlled cost of doing business.
- Depreciation and amortisation increased 18.6% and reflected our store rollout program and ongoing merchandising upgrades in our existing stores.
- NPAT was up 15.6% to \$87.9m.
- Low net interest expense, due to our low net debt position during the period, contributed to the growth in NPAT.
- Effective tax rate was inline with the prior period.

EBIT Margin



NPAT





3. TRADING PERFORMANCE...

Australia

- Sales grew 8.8% to \$1.6b with comparable store sales down 1.6%.
- On a comparable store basis, JB Hi-Fi stores were down 0.9% and Clive Anthonys stores were down 13.3%.
- Gross margin increased by 37 bps to 21.8%.
- Cost of doing business was up 1 bps to 13.1%.
- EBIT increased 12.8% to \$127.9m.
- EBIT margin at 8.0% was a 29 bps increase on the prior period.
- Opened 10 JB Hi-Fi stores and closed 1 Clive Anthonys store.



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3. TRADING PERFORMANCE...



New Zealand

- JB Hi-Fi branded store sales grew 24.7% to NZ\$97.5m. Overall sales growth, which includes the closed H&S branded stores in the comparative period, was 2.4%. Refer Appendix III(c).
- Comparable JB Hi-Fi store sales were up 3.9%.
- Sales in the first quarter were pleasing, however, post the 1st October increase in GST, sales growth has been negative.
- Throughout the period the market remained very competitive, however we continued to grow our market share.
- Gross margin increased by 138 bps to 16.3%.
- Cost of doing business was down 3 bps to 16.4%.
- Opened 3 JB Hi-Fi stores.
- We reduced our EBIT loss by 52% to NZ\$1.1m.

On-line

- JB Hi-Fi has continued to develop its online presence.
- Online sales grew 35% over the half year and were up 49% in December.
- Whilst a small but growing percentage of JB Hi-Fi total sales, our online business is an important part of our overall strategy.



3. TRADING PERFORMANCE...



Trading Outlook

- We anticipate opening 18 new JB Hi-Fi stores in FY11 (Aust: 15, NZ: 3), with 13 opened in the first half.
- Maintain our target of 210 JB branded stores (160 Tier 1* and 50 Tier 2* format) in Australia and New Zealand.
- The recently opened Tier 2 stores, while still in their ramp up phase, are performing in line with internal expectations.
- Second half trading update:
 - Sales in the first five weeks of the second half were challenging as consumer spending remained subdued;
 - Consolidated sales growth remained in line with the first half, with JB Hi-Fi Australia's comparable store growth flat; and
 - Our Clive Anthonys and JB Hi-Fi New Zealand stores experienced negative comparable store sales growth.
- While we are cycling a weak second half FY10 sales result, we still expect the second half of FY11 to be challenging, with consumer spending remaining subdued and volatile. We also expect relatively lower operating leverage as we cycle both a strong gross profit result and strong wage productivity from the prior period.
- Notwithstanding this we still expect FY11 to be another record year of sales and earnings growth.
- Expect sales in FY11 to be circa \$3.0 billion and NPAT to be in the range of \$134.0m to \$139.0m (a 13% to 17% increase on the prior year).

Industry Outlook

- All categories expected to remain very competitive.
- Constant technology innovation will drive continued industry growth.
- Visual - Digital TV switch over and Internet TV.
- Computers - Expansion of tablet category.
- Telecommunications - Continued strong growth in the Smart Phone category.
- Games - Launch of the Nintendo 3DS in 2HY11 and continued growth in Sony Move and X-Box Kinect software.

* refer to explanation in Appendix II



4. FINANCIAL DETAIL

Profit and Loss Statement

AUDm	AUST			NZ ⁽ⁱⁱⁱ⁾			CONSOLIDATED		
	HY10	HY11	Growth	HY10	HY11	Growth	HY10	HY11	Growth
Sales	1,477.2	1,606.5	8.8%	76.6	76.1	-0.6%	1,553.8	1,682.6	8.3%
Gross Profit	316.4	350.0	10.6%	11.4	12.4	8.6%	327.8	362.5	10.6%
Gross Margin	21.4%	21.8%	+37 bps	14.9%	16.3%	+138 bps	21.1%	21.5%	+44 bps
EBITDA	123.7	140.4	13.4%	(1.1)	(0.1)	94.5%	122.6	140.3	14.4%
Depreciation & Amortisation	10.4	12.5		0.8	0.8		11.2	13.3	
EBIT	113.3	127.9	12.8%	(1.9)	(0.9)	53.8%	111.4	127.0	14.0%
EBIT Margin	7.7%	8.0%	+29 bps	(2.5%)	(1.2%)	+135 bps	7.2%	7.5%	+38 bps
Net Profit After Tax							76.0	87.9	15.6%
Headline Statistics:									
Earnings per share (basic ¢)							70.5	80.6	14.5%
Cost of doing business	13.0%	13.1%	+1 bps	16.4%	16.4%	-3 bps	13.2%	13.2%	0 bps
Stores	131 ⁽ⁱ⁾	140	+9 stores	10 ⁽ⁱ⁾	13	+3 stores	141 ⁽ⁱ⁾	153⁽ⁱⁱ⁾	+12 stores

⁽ⁱ⁾ as at 30 June 2010

⁽ⁱⁱ⁾ 13 JB Hi-Fi stores opened, 1 Clive Anthony's store closed

⁽ⁱⁱⁱ⁾ refer Appendix III(c) for NZ P&L in NZD's



4. FINANCIAL DETAIL...

Balance Sheet

AUDm	HY10	HY11	FY10
Cash	127.4	180.0	51.7
Receivables	113.4	130.3	63.5
Inventories	373.3	388.1	334.8
Other	6.4	5.1	4.5
Total Current Assets	620.4	703.4	454.5
Fixed Assets	155.1	176.8	164.0
Brandname & Goodwill	82.8	83.0	83.9
Other	16.1	14.0	12.0
Total Non-Current Assets	254.0	273.8	259.8
Total Assets	874.4	977.3	714.3
Payables	447.0	507.4	289.5
Borrowings	-	-	35.0
Other	53.6	56.9	38.6
Total Current Liabilities	500.6	564.3	363.1
Borrowings	69.5	34.6	34.6
Other	20.5	25.6	23.3
Total Non-Current Liabilities	90.0	60.2	57.9
Total Liabilities	590.6	624.5	421.0
Net Assets	283.8	352.8	293.3
<i>Net Debt / (Net Cash)</i>	<i>(57.9)</i>	<i>(145.4)</i>	<i>17.9</i>



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4. FINANCIAL DETAIL...

Cash Flow Statement

AUDm	HY10	HY11	Mvt
EBITDA	122.6	140.3	14.4%
Change in Working Capital	73.6	97.7	
Net Interest Paid	(2.7)	(2.1)	
Income Tax Paid	(29.4)	(22.4)	
Other	4.4	5.1	
Net Cash Flow from Operations	168.4	218.5	29.8%
Purchases of P&E	(30.3)	(27.4)	
Payments for intangible assets	(1.4)	-	
Net Cash Flow from Investing	(31.7)	(27.4)	-13.5%
Free Cash Flow⁽ⁱ⁾	136.7	191.1	39.8%
Borrowings / (Repayments)	(20.0)	(35.0)	
Proceeds from issue of Equity	6.3	7.9	
Dividends Paid	(31.3)	(35.9)	
Net Cash Flow from Financing	(45.1)	(63.0)	39.9%
Net Change in Cash Position	91.6	128.1	
Effect of exchange rates	-	0.2	
Cash at the end of Period	127.4	180.0	41.3%

⁽ⁱ⁾ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets (excludes investments)





4. FINANCIAL DETAIL...



Working Capital and Key Ratios

AUDm	HY10	HY11
(Increase)/decrease in current assets		
Inventory	(48.6)	(55.1)
Receivables	(53.2)	(67.2)
Other current assets	(0.7)	(0.5)
Increase/(decrease) in current liabilities		
Trade creditors	173.2	219.3
Other current liabilities	2.9	1.3
Net Movement in Working Capital	73.6	97.7

Performance Indicators:

Inventory Turnover	7.0x	7.2x
Creditor Days	54.1	55.5
Fixed Charge Ratio	4.1x	4.2x
Interest Cover	34.4x	48.6x
Return on Equity	26.8%	24.9%
Return on Invested Capital	49.3%	61.2%

- Inventory Management:
 - Invested \$34.2m in new store inventory;
 - Inventory turnover improved to 7.2 times (pcp: 7.0 times);
 - Like for like inventory turnover was 7.5 times (pcp: 7.3 times); and
 - We continue to see opportunities to improve our inventory management and drive increased inventory turnover.
- Receivables relate predominately to supplier rebates.
- Creditor days were consistent with the prior period.
- Fixed charges ratio at 4.2 times, coupled with high interest cover is a good indication of JB's balance sheet strength and our low financial and operational leverage.
- Our ROIC is particularly strong at the half year, driven by our peak cash position and low net debt coming out of Christmas trading.

5. DIVIDENDS

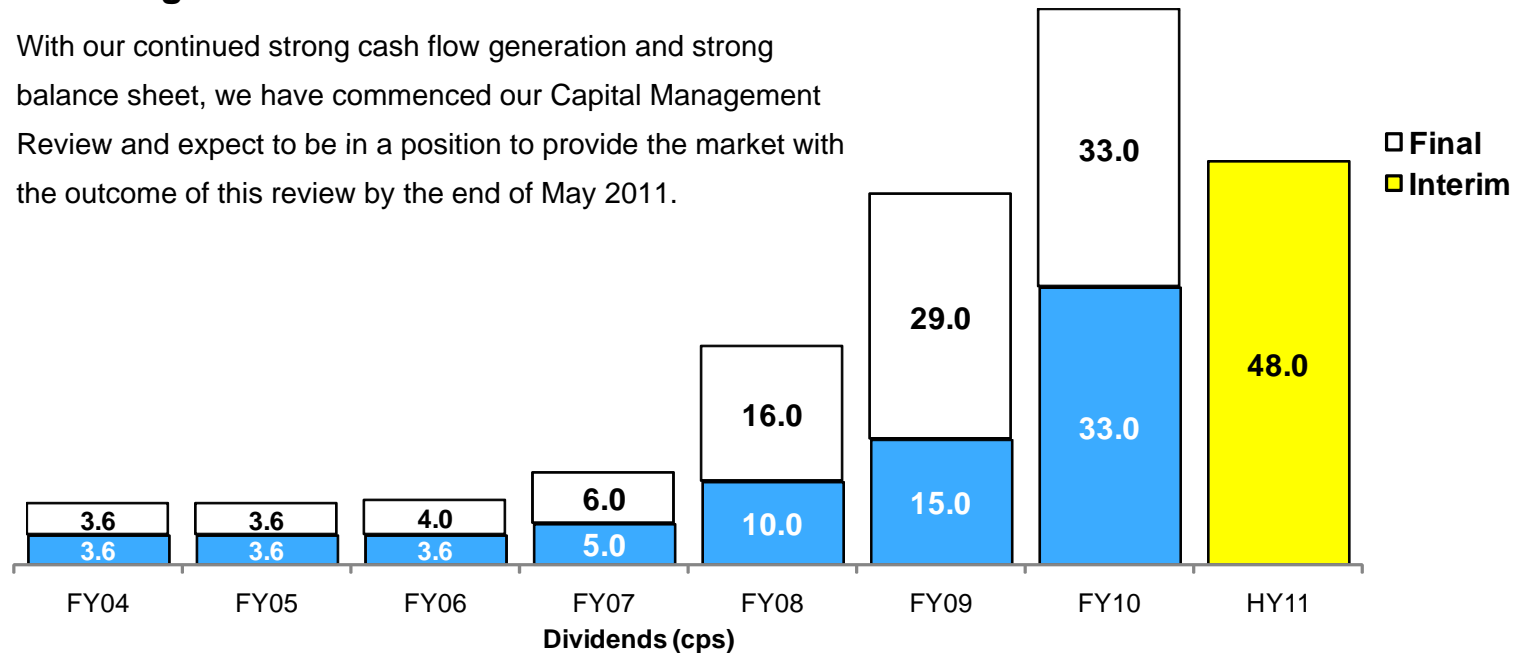


Dividends

- The interim dividend is 48.0 cents per share fully franked. This represents a payout ratio of 60% of HY11 earnings and reflects the Company's continuing strong cashflows from existing stores and overall company growth.
- The Board is confident that the current payout ratio of 60% can be supported while continuing to invest in new stores and other growth opportunities.

Capital Management

- With our continued strong cash flow generation and strong balance sheet, we have commenced our Capital Management Review and expect to be in a position to provide the market with the outcome of this review by the end of May 2011.





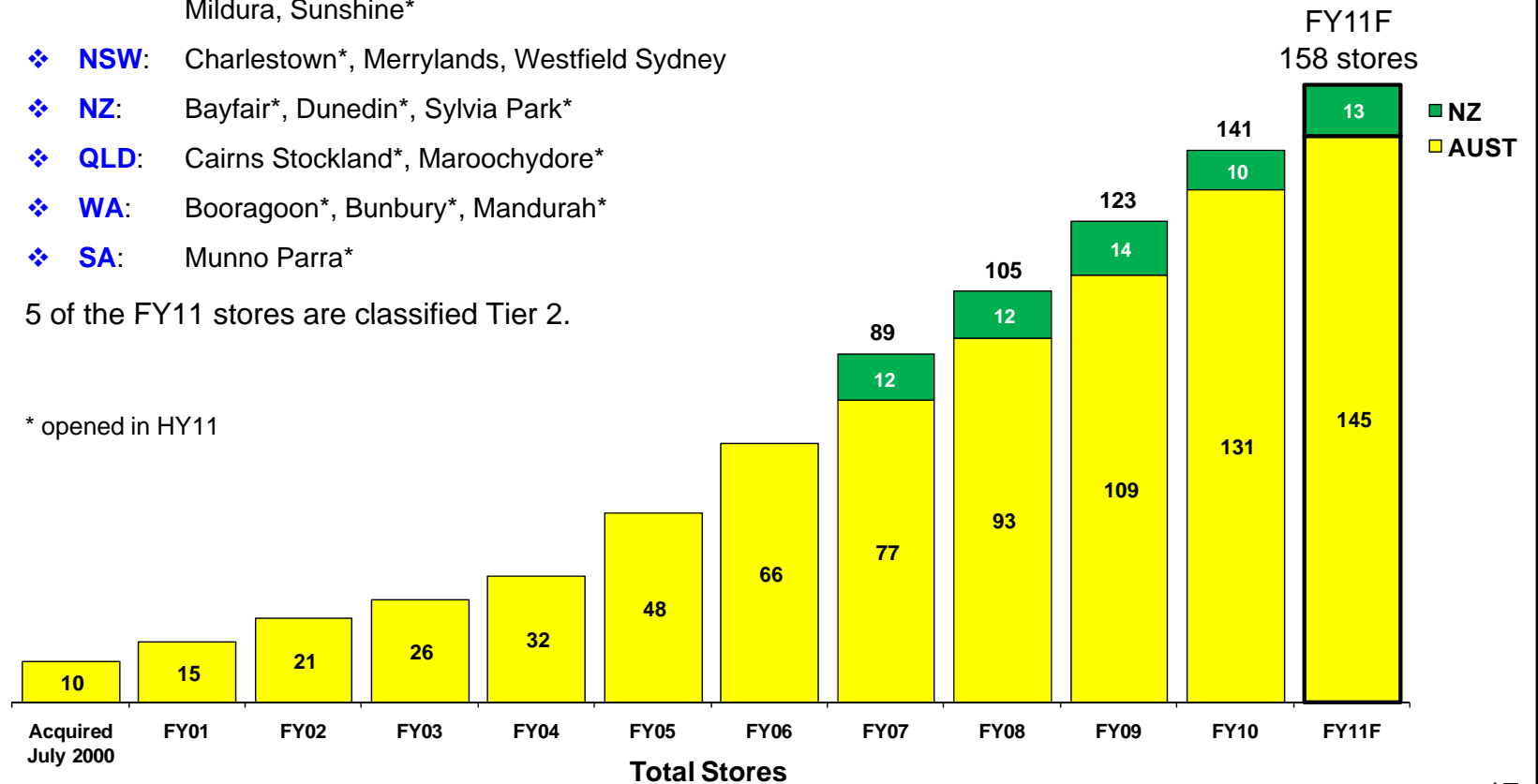
6. STORE UPDATE

18 new JB Hi-Fi stores to be opened in FY11

13 JB Hi-Fi stores opened during HY11

- 18 JB Hi-Fi stores to be opened in FY11 including:
 - ❖ **VIC:** Airport West, Bayside Frankston, Chadstone – Warrigal Rd*, Forrest Hill*, Mildura, Sunshine*
 - ❖ **NSW:** Charlestown*, Merrylands, Westfield Sydney
 - ❖ **NZ:** Bayfair*, Dunedin*, Sylvia Park*
 - ❖ **QLD:** Cairns Stockland*, Maroochydore*
 - ❖ **WA:** Booragoon*, Bunbury*, Mandurah*
 - ❖ **SA:** Munno Parra*
- 5 of the FY11 stores are classified Tier 2.

* opened in HY11





7. INVESTMENT CHECKLIST



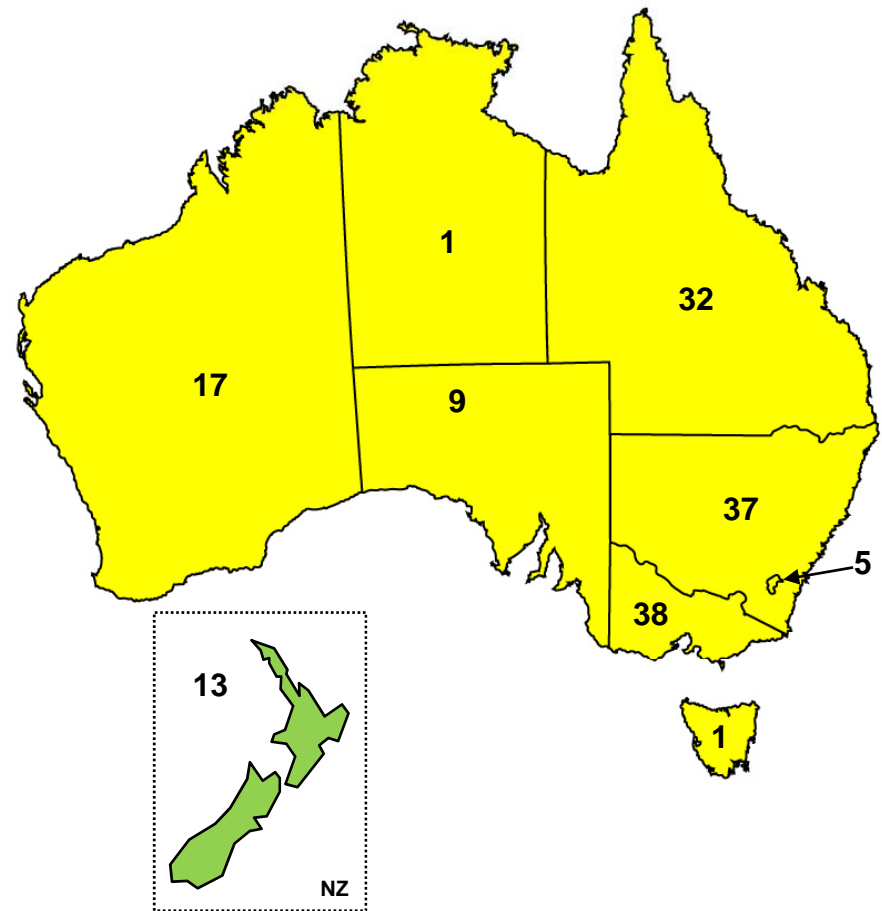
- ✓ Strong and unique retail model.
- ✓ Operates mainly in high growth home entertainment and technology sector.
- ✓ Low cost of doing business – best of listed retailers.
- ✓ Many new store opportunities
 - JB Hi-Fi circa 210 (160 Tier 1 format and 50 Tier 2 format) in Australia and New Zealand (143 as at HY11).
- ✓ Good continued growth from existing categories, such as computers and telco.
- ✓ Size and continued high growth gives us great buying power and advertising synergies.
- ✓ Low capital investment and high return on invested capital.
- ✓ Low gearing.
- ✓ Strength and depth of management.



Store movements during HY11

	FY10	HY11		
		Opened	Closed	Total
Australia				
JB - Tier 1	107	8	-	115
JB - Tier 2	13	2	-	15
	120	10	-	130
Clive Anthony's	11	-	(1)	10
	131	10	(1)	140
New Zealand				
JB - Tier 1	8	1	-	9
JB - Tier 2	2	2	-	4
	10	3	-	13
TOTAL	141	13	(1)	153
JB Hi-Fi store type:				
Tier 1	115	9	-	124
Tier 2	15	4	-	19
	130	13	-	143
Store format:				
Shopping centres	65	8	-	73
Other	76	5	(1)	80
	141	13	(1)	153

Geographic breakdown#



as at 31 December 2010



Appendix II

Store types

Currently targeting 210 JB Hi-Fi branded stores in Australia and New Zealand. This target is split between Tier 1 (160 stores) and Tier 2 (50 stores). While each store is different, broadly the stores can be defined as follows:

- Tier 1:** approximately 1,100 to 1,300 sqm of which circa 80% is retail space. The investment in a new Tier 1 store is approximately \$2.5m (\$1.5m in capital expenditure and \$1.0m in working capital); and
- Tier 2:** these stores are likely to be approximately 70% of a Tier 1 store in size and/or turnover. The investment in a new Tier 2 store is approximately \$2.0m (\$1.2m in capital expenditure and \$0.8m in working capital).



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a) EBIT reconciliation

AUDm	HY10	HY11
Profit for the year (App 4D)	76.0	87.9
<i>add back</i>		
- income tax expense (App 4D)	32.7	37.7
Profit before Tax	108.7	125.6
<i>add back</i>		
- interest received	(0.6)	(1.2)
- interest expense (App 4D)	3.2	2.6
- net interest expense	2.7	1.4
Earnings before interest and tax (EBIT)	111.4	127.0

b) CODB reconciliation

AUDm	HY10	HY11
Other income (ex interest received)	(0.1)	(0.04)
Sales and marketing expenses (App 4D)	139.0	147.9
Occupancy expenses (App 4D)	49.2	56.8
<i>less depreciation & amortisation</i>	(8.2)	(9.9)
Administration expenses (App 4D)	12.9	13.7
<i>less depreciation & amortisation</i>	(3.1)	(3.4)
Other expenses (App 4D)	15.4	17.1
Cost of Doing Business (CODB)	205.2	222.2
Sales	1,553.8	1,682.6
CODB (% of sales)	13.2%	13.2%

c) NZ Profit and Loss statement (NZD)

NZDm	New Zealand		
	HY10	HY11	Growth
Sales	95.2	97.5	2.4%
Gross Profit	14.2	15.9	11.9%
Gross Margin	14.9%	16.3%	+138 bps
EBITDA	(1.4)	(0.1)	94.3%
Depreciation & Amortisation	1.0	1.1	
EBIT	(2.4)	(1.1)	52.4%
EBIT Margin	(2.5%)	(1.2%)	+135 bps
Headline Statistics:			
Cost of doing business	16.4%	16.4%	-3 bps
Stores	10 ⁽ⁱ⁾	13	+3 stores

⁽ⁱ⁾ as at 30 June 2010



Profit and Loss Statement (5 years)

AUDm	HY07	HY08	HY09	HY10	HY11
Sales	658.9	988.5	1,261.6	1,553.8	1,682.6
Gross Profit	145.9	213.3	269.5	327.8	362.5
Gross Margin	22.1%	21.6%	21.4%	21.1%	21.5%
EBITDA	46.8	71.6	97.9	122.6	140.3
Depreciation & Amortisation	5.1	6.8	8.7	11.2	13.3
EBIT	41.8	64.8	89.2	111.4	127.0
EBIT Margin	6.3%	6.6%	7.1%	7.2%	7.5%
Net Profit After Tax	26.2⁽ⁱ⁾	41.9	59.0	76.0	87.9
Headline Statistics:					
Earnings per share (basic ¢)	25.3	40.0	55.3	70.5	80.6
Cost of doing business	15.0%	14.4%	13.6%	13.2%	13.2%
Stores at period end	72	104	119	137	153

⁽ⁱ⁾ net of OEI



Balance Sheet (5 years)

AUDm	HY07	HY08	HY09	HY10	HY11
Cash	83.4	46.4	90.8	127.4	180.0
Receivables	55.4	82.2	97.3	113.4	130.3
Inventories	188.7	272.5	300.3	373.3	388.1
Other	3.2	4.4	4.6	6.4	5.1
Total Current Assets	330.7	405.5	493.0	620.4	703.4
Fixed Assets	69.7	105.1	131.4	155.1	176.8
Brandname & Goodwill	66.7	81.2	81.8	82.8	83.0
Other	6.2	10.3	16.6	16.1	14.0
Total Non-Current Assets	142.6	196.6	229.8	254.0	273.8
Total Assets	473.3	602.1	722.8	874.4	977.3
Payables	237.9	307.0	377.0	447.0	507.4
Other	19.6	32.9	50.5	53.6	56.9
Total Current Liabilities	257.5	339.9	427.4	500.6	564.3
Borrowings	100.1	102.4	69.3	69.5	34.6
Other	7.7	8.6	17.3	20.5	25.6
Total Non-Current Liabilities	107.8	111.0	86.6	90.0	60.2
Total Liabilities	365.3	450.9	514.0	590.6	624.5
Net Assets	102.8⁽ⁱ⁾	151.1	208.8	283.8	352.8

⁽ⁱ⁾ net of OEI

Cash Flow Statement (5 years)

AUDm	HY07	HY08	HY09	HY10	HY11
EBITDA	46.8	71.6	97.9	122.6	140.3
Change in Working Capital	65.5	26.4	108.5	73.6	97.7
Net Interest Paid	(3.3)	(3.7)	(4.4)	(2.7)	(2.1)
Income Tax Paid	(8.5)	(14.0)	(21.5)	(29.4)	(22.4)
Other	(0.5)	1.3	9.1	4.4	5.1
Net Cashflow from Operations	100.1	81.7	189.6	168.4	218.5
Purchases of P&E	(17.9)	(31.9)	(29.1)	(30.3)	(27.4)
Investments	-	(7.5)	-	-	-
Payments for intangible assets	-	-	-	(1.4)	-
Net Cashflow from Investing	(17.9)	(39.4)	(29.1)	(31.7)	(27.4)
Free Cash Flow⁽ⁱ⁾	82.2	49.8	160.5	136.7	191.1
Borrowings / (Repayments)	(0.3)	(16.1)	(55.0)	(20.0)	(35.0)
Proceeds from issue of Equity	1.1	2.8	3.9	6.3	7.9
Dividends Paid	(4.2)	(6.3)	(17.1)	(31.3)	(35.9)
Net Cashflow from Financing	(3.3)	(19.6)	(68.2)	(45.1)	(63.0)
Net Change in Cash Position	78.9	22.7	92.3	91.6	128.1
Effect of exchange rates	-	-	-	-	0.2
Cash at the end of Period	83.4	46.4	90.8	127.4	180.0

⁽ⁱ⁾ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets (excludes investments)