

J B Hi-Fi Limited

Half Year Results Presentation

31 December 2014



2 February 2015



AGENDA



1. **HY15 Highlights**
2. **Profit and Loss Statement**
3. **Trading Performance**
4. **Store Update**
5. **In Store**
6. **Out of Store**
7. **Cash Flow and Balance Sheet**
8. **Capital Management**
9. **Trading Outlook**
10. **Growth Opportunities**

Richard Murray
CEO

Nick Wells
CFO



1. hY15 HI GHLI GHTS



- Ø Total sales up 1.3%
- Ø Comparable sales down 0.7%
- Ø Gross profit up 1.8% and gross margin up 11 bps
- Ø NPAT down 1.9%
- Ø EPS down 1.2%
- Ø Interim dividend up 7.3% to 59.0 cps



2. PROFIT AND LOSS STATEMENT



\$m	AUST			NZ (NZD)			CONSOLIDATED		
	HY14	HY15	Growth	HY14	HY15	Growth	HY14	HY15	Growth
Sales	1,836.0	1,862.1	1.4%	118.0	113.0	(4.3%)	1,939.9	1,965.1	1.3% U
Gross Profit	401.3	408.7	1.8%	20.7	20.4	(1.8%)	419.6	427.3	1.8% U
Gross Margin	21.86%	21.95%	+9 bps	17.58%	18.03%	+45 bps	21.63%	21.74%	+11 bps U
EBITDA	146.8	145.4	(1.0%)	3.9	3.7	(6.6%)	150.3	148.7	(1.0%) D
Depreciation & Amortisation	16.3	17.7	8.1%	1.2	1.2	(1.0%)	17.4	18.8	7.8% D
EBIT	130.5	127.7	(2.1%)	2.7	2.5	(9.1%)	132.9	130.0	(2.2%) D
EBIT Margin	7.11%	6.86%	(25 bps)	2.28%	2.17%	(12 bps)	6.85%	6.61%	(24 bps) D
Net Interest							3.9	2.9	(25.9%) D
Profit before Tax							129.0	127.1	(1.5%) D
Tax Expense							38.6	38.5	(0.1%)
NPAT¹							90.3	88.5	(1.9%) D
Headline Statistics:									
Dividends per share (¢)							55.0	59.0	+7.3% U
Earnings per share (basic ¢)							90.5	89.4	(1.2%) D
Cost of doing business	13.86%	14.14%	+28 bps	14.26%	14.78%	+53 bps	13.88%	14.17%	+29 bps D
Stores ²	169 ²	171	+2 stores	13 ²	14	+1 store	182 ²	185	+3 stores U

¹ Profit attributable to owners of JB Hi-Fi Limited (excludes non-controlling interest).

² As at 30 June 2014.



3. TRADING PERFORMANCE



Sales

- § Total consolidated sales grew by 1.3% to \$1.97b, with comparable sales down 0.7%.
- § Sales momentum improved through the first half with positive comparable sales of 1.3% in the second quarter.

Australia

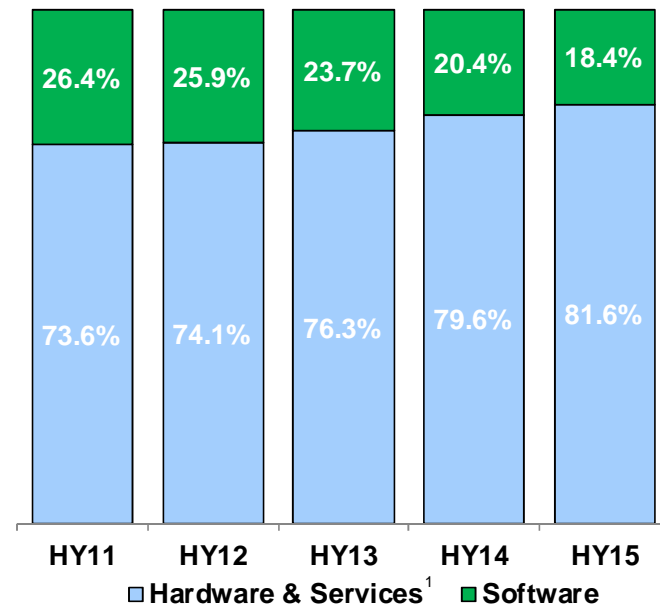
- § Total sales grew by 1.4% to \$1.86b, with comparable sales down 0.6%.
- § Hardware and services¹ sales in HY15 were up 4.7%, with comparable sales up 2.5% driven by the Telco, Fitness, Games Hardware and Appliances (HOME) categories. Comparable sales in HY15 were impacted by the market wide decline in the tablet category, particularly in the first quarter.
- § Software sales in HY15 were negative 10.8% and on a comparable basis were negative 12.4%.

New Zealand

- § Total sales were down 4.3% to NZ\$113.0m, with comparable sales down 6.4%, driven primarily by cycling digital switchover in the pcp.

	Sales Growth					
	Q1 FY15		Q2 FY15		HY15	
	Total	Comps.	Total	Comps.	Total	Comps.
Australia	(0.8%)	(3.5%)	3.0%	1.5%	1.4%	(0.6%)
New Zealand (NZD)	(8.2%)	(8.2%)	(1.5%)	(5.2%)	(4.3%)	(6.4%)
Total	(0.9%)	(3.5%)	2.9%	1.3%	1.3%	(0.7%)

Sales Category Splits by Value (Total Aust)



¹ Hardware & Services is defined as all sales excluding the Music, Movies and Games Software categories.



3. TRADING PERFORMANCE...

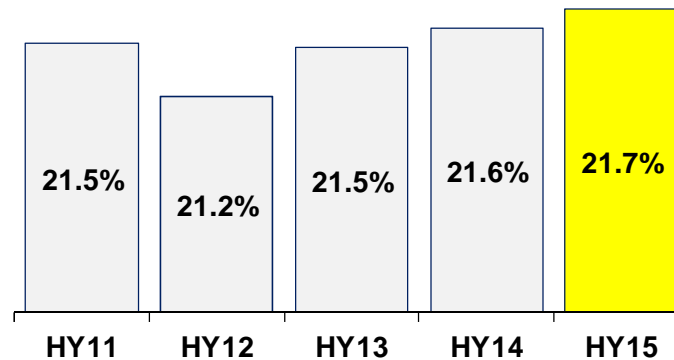


Gross Margin

- § Consolidated gross profit increased by 1.8% to \$427.3m.
- § Consolidated gross margin was 21.7%, an 11 bps increase on the pcp.
- § In Australia, gross margin increased by 9 bps on the pcp to 21.9%, driven primarily by sales mix.
- § In New Zealand, gross margin increased 45 bps to 18.0% due to improved buying terms.
- § We expect the market in both Australia and New Zealand to remain very competitive in the second half.

	GROSS PROFIT		GROSS MARGIN	
	HY14	HY15	HY14	HY15
Australia	\$401.3m	\$408.7m	21.86%	21.95%
New Zealand (NZD)	\$20.7m	\$20.4m	17.58%	18.03%
Total	\$419.6m	\$427.3m	21.63%	21.74%

Gross Margin



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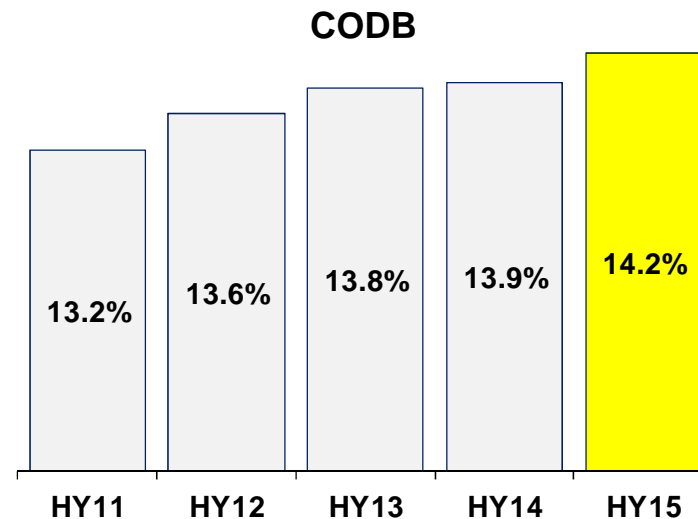
3. TRADING PERFORMANCE...



Cost of Doing Business (CODB)

- § Consolidated CODB was 14.2%, up 29 bps on the pcp.
- § In Australia, CODB increased by 28 bps to 14.1% driven by reduced operating leverage. Store wages remained well controlled as we invested in our HOME store rollout. Total operating costs were in line with Company expectations.
- § In New Zealand, CODB was up 53 bps to 14.8% driven primarily by reduced operating leverage.
- § We seek to maintain our low CODB through continued focus on productivity and minimising indirect expenditure.

	CODB	
	HY14	HY15
Australia	13.86%	14.14%
New Zealand	14.26%	14.78%
Total	13.88%	14.17%



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3. TRADING PERFORMANCE...

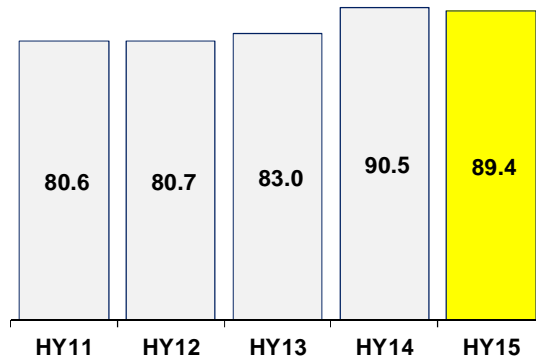


Earnings

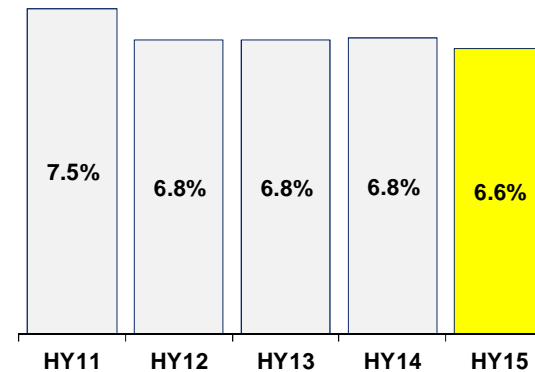
- § Consolidated EBIT was down 2.2% to \$130.0m and EBIT margin was down 24 bps on the pcp at 6.6%.
- § This was a pleasing result given the challenging first quarter sales result. We executed the key Christmas trading period well, maintaining our price leadership and keeping costs well controlled while investing for future growth in HOME, Commercial and Online.
- § Net interest expense was down \$1.0m driven primarily by lower debt levels and improved working capital flows. We expect net interest expense savings in the second half to be similar to the first half.
- § Effective tax rate was 30.3%, up from 29.9% in the pcp, driven primarily by a reduction in the number of employee share options exercised during the period. We expect the effective tax rate for the full year to be circa 30.5%.
- § NPAT was down 1.9% to \$88.5m and EPS was down 1.2% to 89.4 cps.

	EBIT MARGIN	
	HY14	HY15
Australia	7.11%	6.86%
New Zealand	2.28%	2.17%
Total	6.85%	6.61%

EPS (cps)



EBIT MARGIN



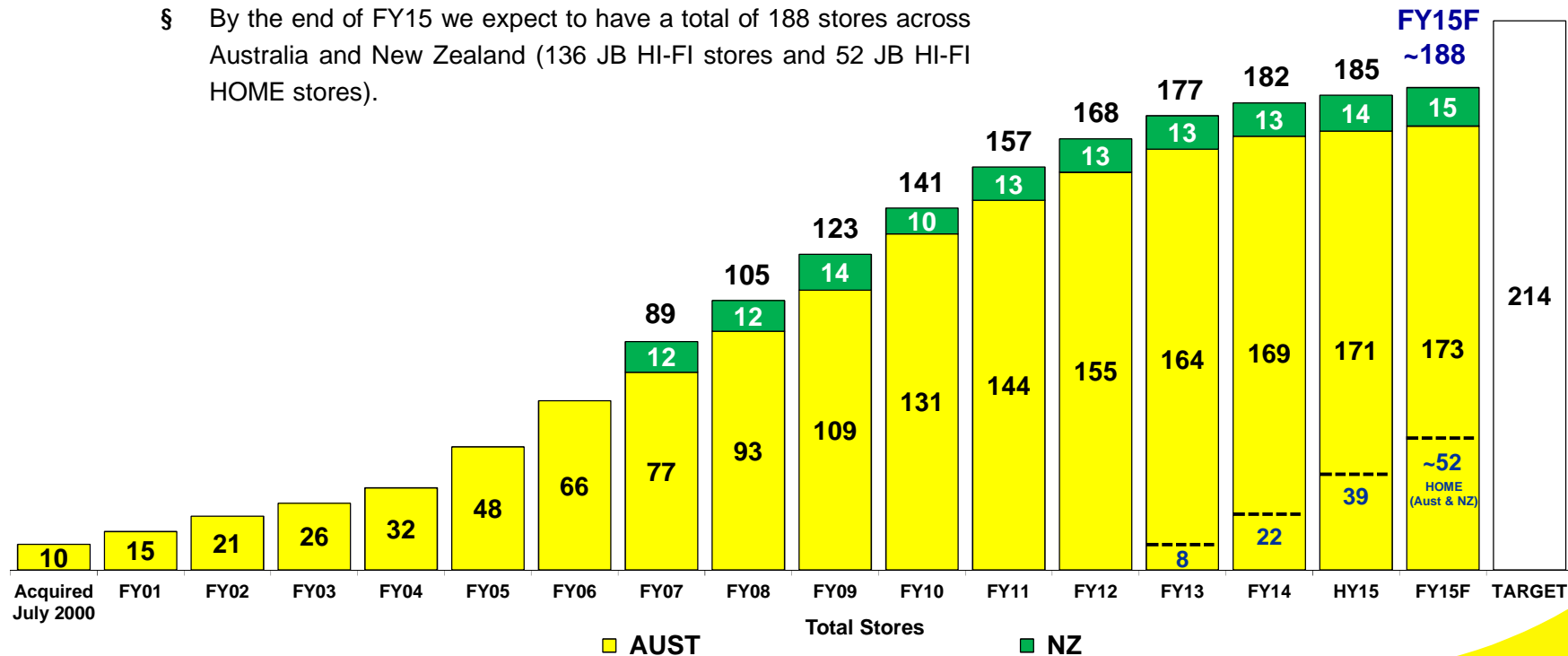
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4. STORE UPDATE



- § Three new JB HI-FI HOME stores were opened in the first half of FY15, two in Australia and one in New Zealand.
- § In the first half, 14 JB HI-FI stores in Australia were converted to JB HI-FI HOME. This included four stores which were relocated as part of their conversion to a JB HI-FI HOME store.
- § We expect to open three new stores in the second half of FY15, one store in New Zealand (JB HI-FI HOME) and two stores in Australia (one JB HI-FI and one JB HI-FI HOME).
- § By the end of FY15 we expect to have a total of 188 stores across Australia and New Zealand (136 JB HI-FI stores and 52 JB HI-FI HOME stores).



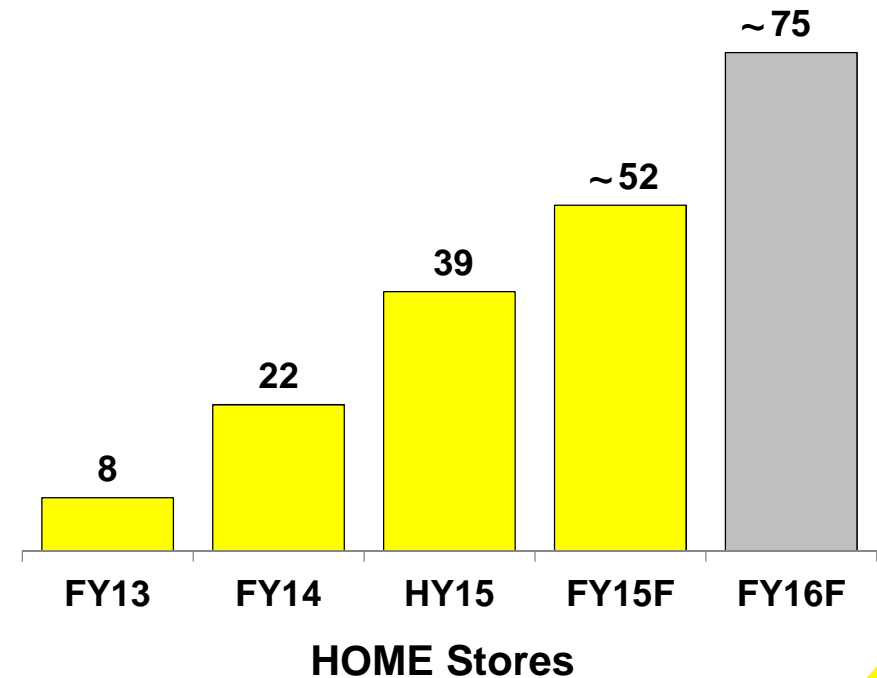


5. I N STORE



JB HI-FI HOME

- § Significant sales growth opportunity as we grow our share of the circa \$4.6 billion home appliances market.
- § The HOME stores achieved comparable sales growth of 5.8% in HY15.
- § During HY15, 14 existing stores were converted to JB HI-FI HOME and three new JB HI-FI HOME stores were opened, two in Australia and one in New Zealand.
- § In the second half of FY15, we anticipate converting a further 11 existing stores to HOME (total of 25 conversions in FY15) and opening two new HOME stores (total of five new HOME stores in FY15).
- § Our store rollout is 1 year ahead of our original schedule.
- § We are pleased with the performance of the HOME stores converted to date, with annualised incremental sales in the first year post conversion of circa \$3m per annum.
- § With a small number of stores part way through their second year of trading, and as we continue to refine our offer, we now expect our target of circa \$5m incremental sales per annum to be achieved over the medium term as the store rollout achieves scale.





6. Out of store



Online

- § We continue to leverage the benefits of a strong online presence combined with our bricks and mortar locations.
- § Online sales for HY15 grew 13.5% on the pcp to \$48.7m or 2.5% of sales (HY14: 2.2%), with sales in December up 20.6% on the pcp.
- § New website launched 1 July 2014 offering an enhanced customer experience with improved search functionality, richer product information and responsive design. Unique visitations to JB's websites during HY15 averaged 1.2 million per week¹.

Commercial

- § JB HI-FI has continued to see strong growth in its Commercial business.
- § Our four divisions provide an integrated offer (product and services) to business and education clients be they large or small.
- § We remain on track to deliver on our longer term aspirational sales target of \$500m per annum, through both organic growth and strategic acquisitions.

Digital

- § Entertainment anywhere, anytime!
- § Allows us to remain relevant, follow consumers' present and future content consumption behaviour, and stay engaged with our customers after the physical purchase has been made.

¹ Note that effective 1 July 2014, a number of the JB websites were rolled into JB's new website (these were previously separate websites), thereby impacting the total number of unique visitations.



7. CASH FLOW AND BALANCE SHEET



Cash Flow Statement

AUDm	HY14	HY15
EBITDA	150.3	148.7
Change in Working Capital	(45.8)	146.6
Net Interest Paid	(3.7)	(2.7)
Income Tax Paid	(25.9)	(29.0)
Other	3.3	1.8
Net Cash Flow from Operations	78.3	265.5
Purchases of P&E (net)	(20.7)	(27.5)
Investments	(3.0)	(2.4)
Net Cash Flow from Investing	(23.7)	(29.9)
Free Cash Flow¹	57.6	238.0
Proceeds / (Repayment) of borrowings	(75.1)	(180.0)
Proceeds from issue of equity	19.6	2.5
Share buy-back	-	(5.0)
Dividends Paid	(22.0)	(28.8)
Net Cash Flow from Financing	(77.4)	(211.3)
Net Change in Cash Position	(22.8)	24.3
Effect of exchange rates	0.4	0.3
Cash at the end of Period	44.9	68.1

Working Capital

AUDm	Statutory HY14	Adjusted HY14	Statutory HY15
(Increase)/decrease in current assets			
Inventory	(159.0)	(159.0)	(112.6)
Receivables	(63.0)	(63.0)	(80.0)
Other current assets	1.3	1.3	(0.3)
Increase/(decrease) in current liabilities			
Payables	174.0	268.0 ²	337.2
Other current liabilities	0.9	0.9	2.3
Net Movement in Working Capital	(45.8)	48.2 ²	146.6

Performance Indicators:	Statutory HY14	Adjusted HY14	Statutory HY15
Inventory Turnover	5.9x	5.9x	5.9x
Creditor Days	57.6d	51.9d ²	56.3d
Fixed Charge Ratio ³	3.3x	3.3x	3.3x
Interest Cover	32.0x	32.0x	41.4x
Gearing Ratio ³	0.2	0.2	0.0
Return on Invested Capital	39.3%	39.3%	45.1%

¹ Free Cash Flow = Net Cash Flow from Operations less Purchases of P&E (net).

² HY14 was impacted by the timing of FY13 year end creditor payments. With the FY13 year end falling on a weekend, the 30 June 2013 creditor payments (\$94m) were made in HY14. Adjusted HY14 assumes that the FY13 year end creditor payments noted above were made within FY13.

³ Rolling 12 month EBITDA. Note that the Company held no debt as at 31 December 2014 (HY14: \$50.0m). Refer to following page for further discussion.



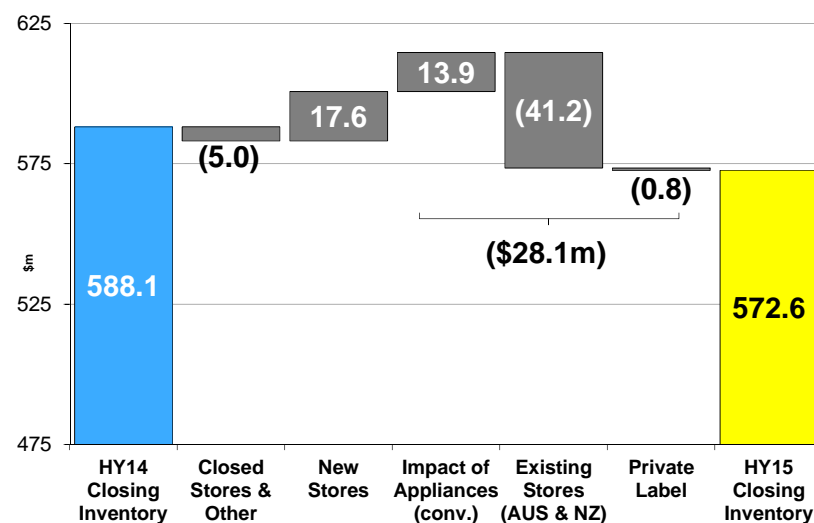
7. CASH FLOW AND BALANCE SHEET...



Balance Sheet

AUDm	HY14	HY15	FY14
Cash	44.9	68.1	43.4
Receivables	127.6	150.5	70.7
Inventories	588.1	572.6	458.6
Other	4.7	5.7	5.3
Total Current Assets	765.4	796.8	578.1
Fixed Assets	185.4	190.4	181.6
Intangibles & Goodwill	85.1	85.6	85.2
Other	17.0	17.1	14.9
Total Non-Current Assets	287.5	293.2	281.7
Total Assets	1,052.9	1,090.0	859.8
Payables	565.4	638.9	303.0
Other	70.9	63.1	49.2
Total Current Liabilities	636.3	702.0	352.2
Borrowings	49.5	-	179.7
Other	33.8	31.8	33.4
Total Non-Current Liabilities	83.3	31.8	213.0
Total Liabilities	719.6	733.8	565.2
Net Assets	333.3	356.2	294.6
Net Debt / (Net Cash)	4.5	(68.1)	136.2

Inventory Bridge – HY14 to HY15



§ Inventory levels are in line with Company expectations. Inventory turnover in HY15 was flat on the pcp at 5.9x (pcp: 5.9x) and like for like inventory turnover was 6.5x (pcp: 6.3x).

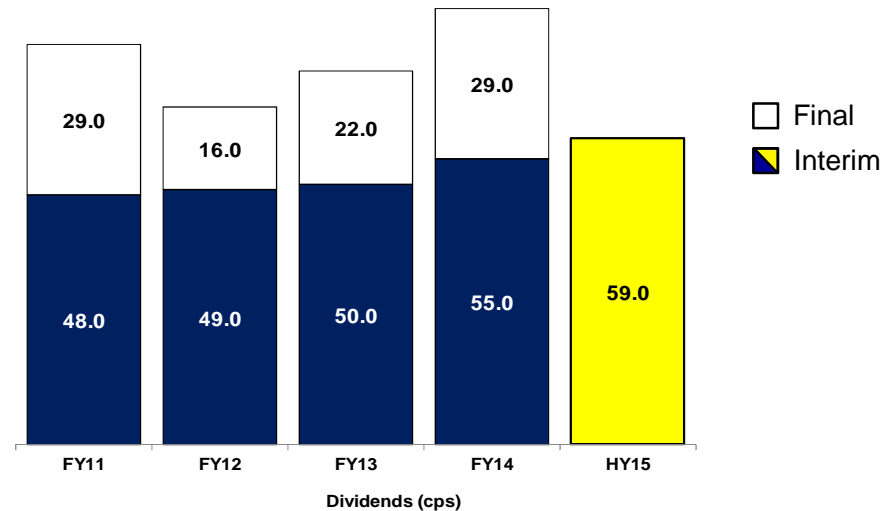
§ Similar to prior half years, the 31 December payables and net debt / (net cash) positions are heavily influenced by the timing of Christmas inventory purchasing. We will return to a net debt position in the second half of FY15.



8. CAPITAL MANAGEMENT



- § JB HI-FI regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders.
- § During HY15 we completed an on-market buy-back of 0.3 million ordinary shares (at a cost of \$5.0 million) to offset the dilutionary impact of shares issued to employees under the Company's share option plans in HY15.
- § The interim dividend is up 7.3% to 59.0 cps driven by the increased payout ratio of 65%, up from 60% in the pcp¹. The record date for the interim dividend is 13 February 2015, with payment to be made on 27 February 2015.
- § The Board currently believes a dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth.



¹ In August 2014, the Company announced an increase in the dividend payout ratio from 60% to 65%, effective for FY14. Note that the FY14 interim dividend was based on the Company's 60% payout ratio that was current at that time.



9. TRADING OUTLOOK



Trading Outlook

§ January 2015 sales update:

- total consolidated sales growth was 8.9% and comparable sales growth was 7.0%; and
- total consolidated sales growth January 2015 YTD was 2.2% and comparable sales growth was 0.2%.

§ January sales and operating earnings are ahead of the same period last year and year to date comparable sales growth is now positive. This gives us confidence on our momentum for the second half of FY15.

§ The Company expects total sales in FY15 to be circa \$3.6b and NPAT to be in the range of \$127.0m to \$131.0m.



10. GROWTH OPPORTUNITIES



Growth Opportunities

- | | |
|---|--|
| q New stores | <ul style="list-style-type: none">- Solid pipeline of properties with six new stores to be opened in FY15.- Will continue our disciplined approach to selecting new stores based on high foot traffic locations.- Target of 214 stores across Australia and New Zealand. |
| q Existing categories and market share | <ul style="list-style-type: none">- Many categories still have above average growth opportunities.- Convenient and easily accessible locations with high foot traffic generate impulse sales.- Continued growth in market share, both in store and online. |
| q JB HI-FI HOME | <ul style="list-style-type: none">- Leverage the strength of the brand.- Target of 75 HOME stores by the end of FY16 across Australia and New Zealand. |
| q Online | <ul style="list-style-type: none">- New website launched on 1 July 2014. |
| q Commercial | <ul style="list-style-type: none">- Significant opportunities to grow this division over the next 2 to 3 years. |



Appendix I



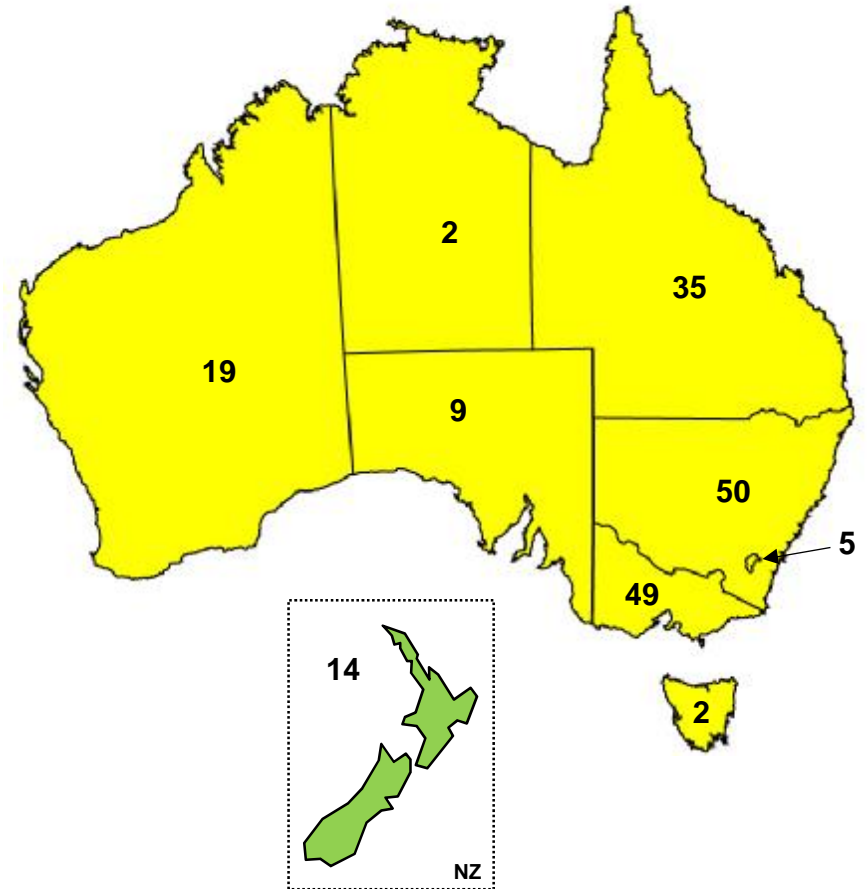
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a) Store movements during HY15

	FY14	HY15		
		Opened	Converted	Total
Australia				
JB HI-FI	147	-	(14)	133
JB HI-FI HOME	22	2	14	38
	169	2	-	171
New Zealand				
JB HI-FI	13	-	-	13
JB HI-FI HOME	-	1	-	1
	13	1	-	14
TOTAL	182	3	-	185
Store type:				
JB HI-FI	160	-	(14)	146
JB HI-FI HOME	22	3	14	39
	182	3	-	185
Store format:				
Shopping centres	99	1	2 ¹	102
Other	83	2	(2) ¹	83
	182	3	-	185

¹ Relocations

b) Geographic breakdown¹



¹ as at 31 December 2014



Appendix I I



a) EBIT reconciliation

AUDm	HY14	HY15
Profit for the half-year (App 4D)	90.4	88.5
<i>add back</i>		
- income tax expense (App 4D)	38.6	38.5
Profit before Tax	129.0	127.1
<i>add back</i>		
- interest received	(0.2)	(0.2)
- interest expense (App 4D)	4.1	3.1
- net interest expense	3.9	2.9
Earnings before interest and tax (EBIT)	132.9	130.0

b) NZ Profit and Loss statement (AUD)

AUDm	HY14	HY15
Sales	103.9	103.0
Gross Profit	18.3	18.6
Gross Margin	17.58%	18.03%
EBITDA	3.5	3.3
Depreciation & Amortisation	1.1	1.1
EBIT	2.4	2.2
EBIT Margin	2.28%	2.17%

c) CODB reconciliation

AUDm	HY14	HY15
Other income (ex interest received)	(0.1)	(0.01)
Sales and marketing expenses (App 4D)	182.4	187.2
Occupancy expenses (App 4D)	73.4	78.4
<i>less depreciation & amortisation</i>	(13.7)	(15.6)
Administration expenses (App 4D)	14.6	13.5
<i>less depreciation & amortisation</i>	(3.7)	(3.1)
Other expenses (App 4D)	16.4	18.2
Cost of Doing Business (CODB)	269.3	278.5
Sales	1,939.9	1,965.1
CODB (% of sales)	13.88%	14.17%



Appendix I I I



a) Profit and Loss

AUDm	HY11	HY12	HY13	HY14	HY15
Sales	1,682.6	1,774.7	1,816.2	1,939.9	1,965.1
Gross Profit	362.5	377.0	390.9	419.6	427.3
Gross Margin	21.54%	21.24%	21.52%	21.63%	21.74%
EBITDA	140.3	136.1	139.8	150.3	148.7
Depreciation & Amortisation	13.3	15.4	16.1	17.4	18.8
EBIT	127.0	120.7	123.7	132.9	130.0
EBIT Margin	7.55%	6.80%	6.81%	6.85%	6.61%
Net Interest Expense	1.4	6.9	5.2	3.9	2.9
Profit Before Tax	125.6	113.8	118.5	129.0	127.1
Tax Expense	37.7	34.2	36.4	38.6	38.5
NPAT	87.9	79.6	82.1	90.3	88.5
Headline Statistics:					
Dividends per share (¢)	48.0	49.0	50.0	55.0	59.0
Earnings per share (basic ¢)	80.6	80.7	83.0	90.5	89.4
Cost of doing business	13.20%	13.57%	13.82%	13.88%	14.17%



Appendix I I I ...



b) Cash Flow

AUDm	HY11	HY12	HY13	HY14	HY15
EBITDA	140.3	136.1	139.8	150.3	148.7
Change in Working Capital	97.7	107.5	(9.2)	(45.8)	146.6
Net Interest Paid	(2.1)	(7.2)	(4.9)	(3.7)	(2.7)
Income Tax Paid	(22.4)	(23.9)	(15.3)	(25.9)	(29.0)
Other	5.1	3.4	3.1	3.3	1.8
Net Cash Flow from Operations	218.5	215.9	113.5	78.3	265.5
Purchases of P&E (net)	(27.4)	(29.8)	(23.1)	(20.7)	(27.5)
Investments	-	-	-	(3.0)	(2.4)
Net Cash Flow from Investing	(27.4)	(29.8)	(23.1)	(23.7)	(29.9)
Free Cash Flow	191.1	186.1	90.3	57.6	238.0
Borrowings / (Repayments)	(35.0)	(129.3)	(60.0)	(75.1)	(180.0)
Proceeds from issue of Equity	7.9	3.3	-	19.6	2.5
Share buy-back	-	-	-	-	(5.0)
Dividends Paid	(35.9)	(28.6)	(15.8)	(22.0)	(28.8)
Net Cash Flow from Financing	(63.0)	(154.6)	(75.8)	(77.4)	(211.3)
Net Change in Cash Position	128.1	31.5	14.5	(22.8)	24.3
Effect of exchange rates	0.2	(0.1)	0.1	0.4	0.3
Cash at the end of Period	180.0	58.7	54.3	44.9	68.1



Appendix I I I ...



c) Balance Sheet

AUDm	HY11	HY12	HY13	HY14	HY15
Cash	180.0	58.7	54.3	44.9	68.1
Receivables	130.3	125.7	113.6	127.6	150.5
Inventories	388.1	415.7	529.8	588.1	572.6
Other	5.1	8.0	6.8	4.7	5.7
Total Current Assets	703.4	608.2	704.4	765.4	796.8
Fixed Assets	176.8	183.2	188.1	185.4	190.4
Intangibles & Goodwill	83.0	78.5	79.0	85.1	85.6
Other	14.0	18.4	17.4	17.0	17.1
Total Non-Current Assets	273.8	280.1	284.4	287.5	293.2
Total Assets	977.3	888.3	988.9	1,052.9	1,090.0
Payables	507.4	484.8	545.7	565.4	638.9
Other	56.9	55.2	62.4	70.9	63.1
Total Current Liabilities	564.3	540.1	608.1	636.3	702.0
Borrowings	34.6	103.5	90.0	49.5	-
Other	25.6	37.6	37.5	33.8	31.8
Total Non-Current Liabilities	60.2	141.1	127.5	83.3	31.8
Total Liabilities	624.5	681.1	735.6	719.6	733.8
Net Assets	352.8	207.2	253.2	333.3	356.2
Net Debt / (Net Cash)	(145.4)	44.8	35.7	4.5	(68.1)