



JB Hi-Fi Limited

UBS Conference – October 2008

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Agenda



1. **Performance**
2. **Trading Update**
3. **JB Model – CODB & EDLP**
4. **Store Update**
5. **Investment Case**
6. **Investment Checklist**

Richard Uechtritz
CEO

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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	26.0 cps	136.0% \hat{U}

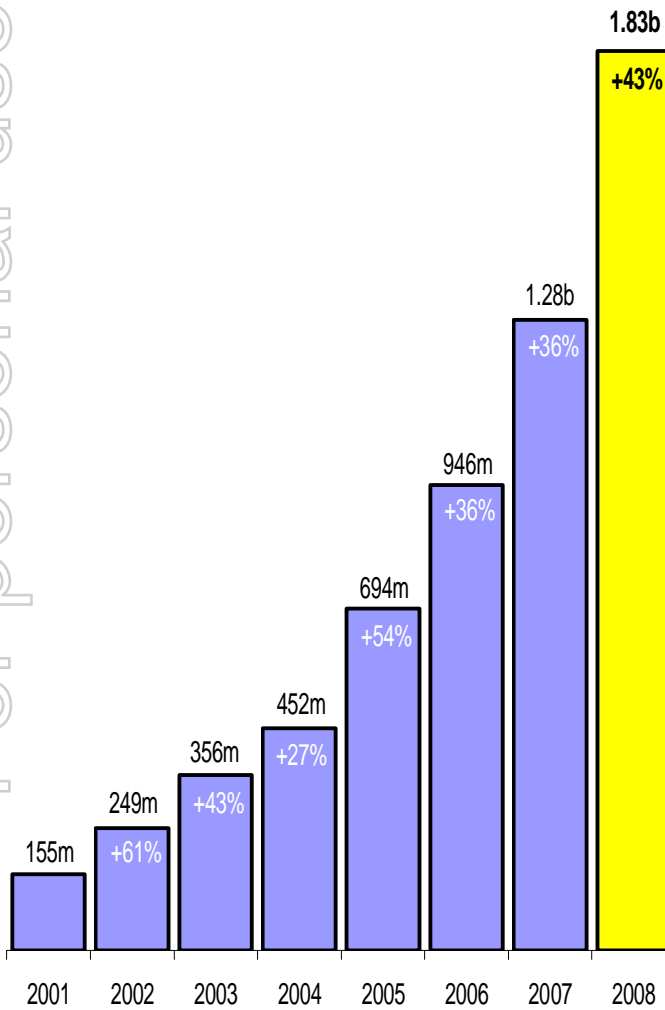
JB.....you've done it again!

1. PERFORMANCE - TREND

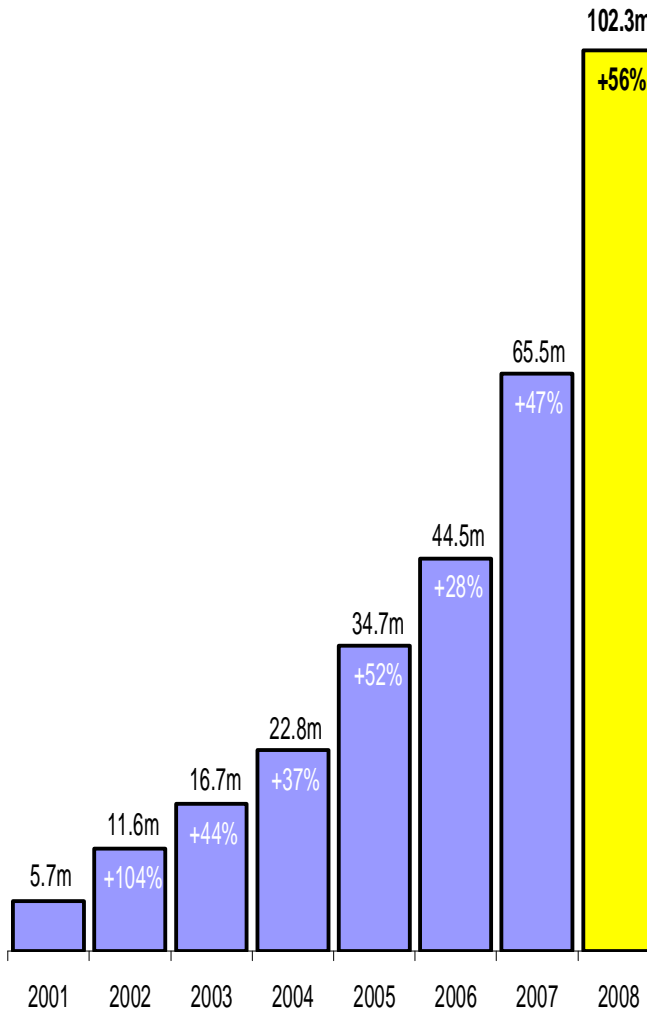
Strong growth in sales & earnings since MBI in July 2000



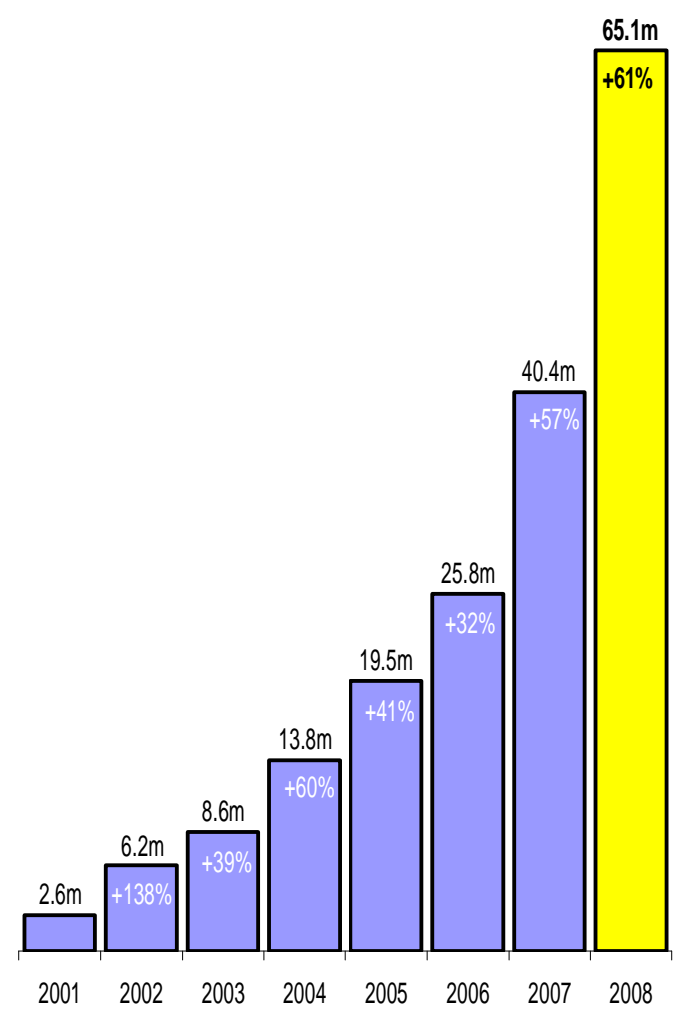
SALES +43%



EBIT +56%



NPAT +61%



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2. TRADING UPDATE



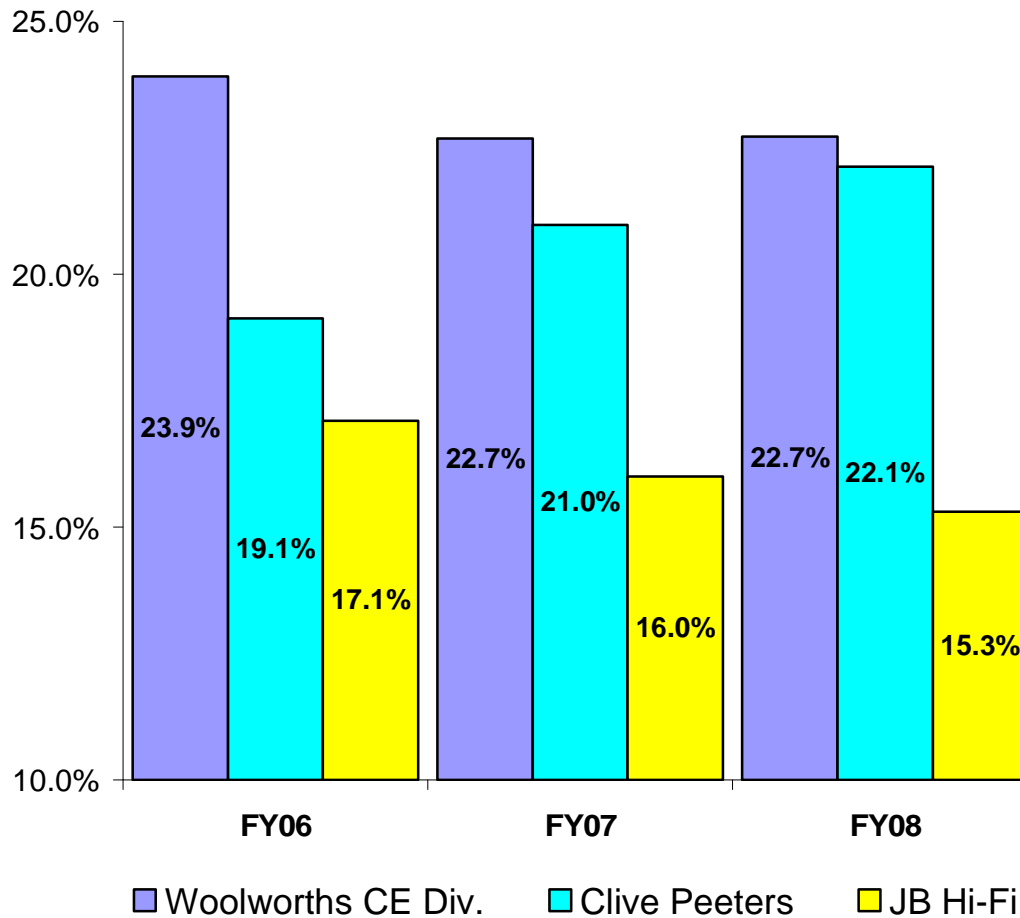
- The company will open 13 new stores in the first half of FY09, taking the total store network to 118 by Christmas. A further 11 stores are expected to open in the second half. The 24 stores to open in FY09 will be the biggest number of new stores that the company has opened in any year, which will help ensure its continued strong growth going forward.
- The 7 stores we have opened this financial year are trading well and we are confident that they will contribute strongly to earnings over the coming years as they mature.
- The \$10.4 billion government package is positive for retail and timely for JB (eg families receive lump sum payment early December) as we are very much a Christmas gift destination retailer for small value items such as CDs, DVDs, games, iPods, cameras, navigation, etc.
- Some positive sentiment drivers appearing - lower interest rates, government support package, government bank guarantees and lower oil prices are helping to balance the negative sentiment from the financial crisis.
- Weak \$A is good for consumer electronic retailers as it will stop or slow price deflation. JB does not import any products.
- A large percentage of JB customers are younger and thus have less or no negative sentiment, about shrinking share or super portfolios or declining or flat real estate prices. Retail spend is as much about sentiment as anything.
- JB specialises in entertainment. If consumers are cutting back elsewhere then it is likely that they will be at home more and will focus on home entertainment.
- As JB's average customer order value is \$100, we are not reliant on considered purchases of large ticket items.
- Small percentage of JB sales are made with consumer finance – company less affected by current consumer reluctance to increase debt.
- Subject to the economic environment not deteriorating further, the company remains confident that it will meet market expectations for FY09, setting the company up in a strong position for FY10 onwards.

3. JB MODEL - CODB & EDLP



Low CODB enables EDLP strategy

§ JB has the lowest CODB of listed Consumer Electronic (CE) retailers which supports our Everyday Low Prices (EDLP) strategy



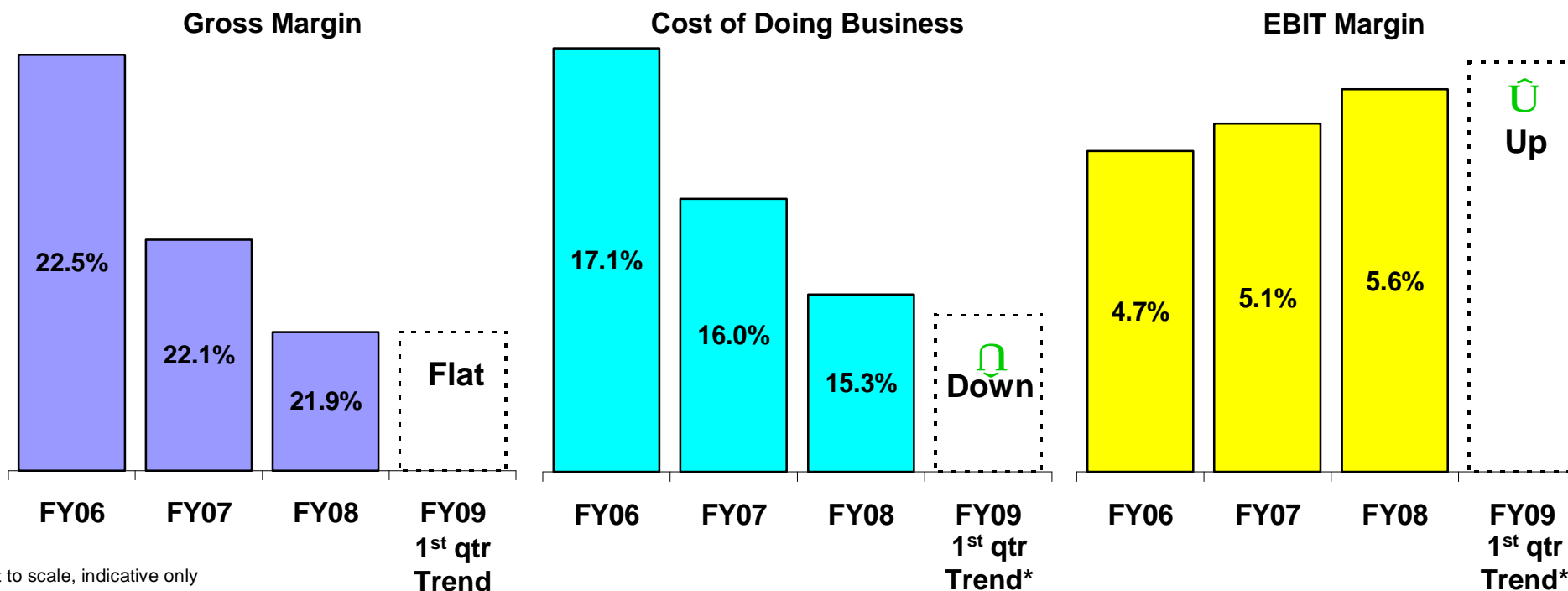
Note: CODB data only available for above listed CE peers, HVN n/a given franchise structure. Many competitors are private companies who aren't required to disclose KPI's

3. JB MODEL - CODB & EDLP....



EDLP strategy drives EBIT margin expansion

- § The continued reductions in our cost of doing business (CODB) has more than offset the impact that the growth of lower margin product categories has had on gross margin. As a result we have seen year on year improvement in our EBIT margin.
- § This reduction in CODB has been achieved whilst we have pursued an aggressive store rollout.
- § Whilst we believe we have the lowest cost base in the industry, we continue to focus on ways of improving even further.
- § **1st quarter FY09 Gross Margin, CODB and EBIT Margin solid.**



* Not to scale, indicative only

4. STORE UPDATE

24 new stores to open in FY09



Ø 20 stores opened in FY08

§ 18 JB Hi-Fi stores, 2 Clive Anthonys stores, 3 stores were relocated and 4 subscale H&S stores were closed

Ø 24 stores to open in FY09

§ 21 JB Hi-Fi stores:

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

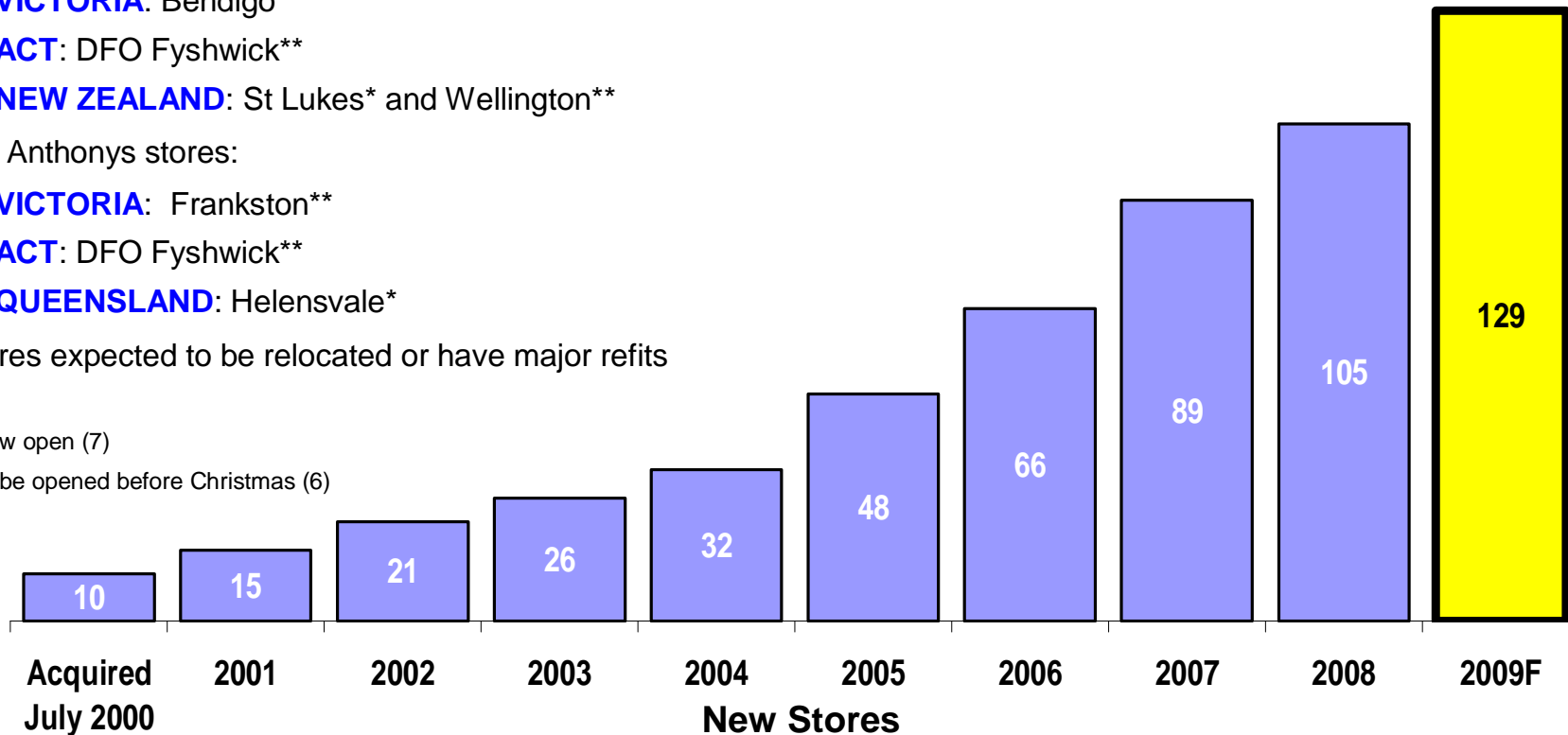
§ 3 Clive Anthonys stores:

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

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

* stores now open (7)

** stores to be opened before Christmas (6)



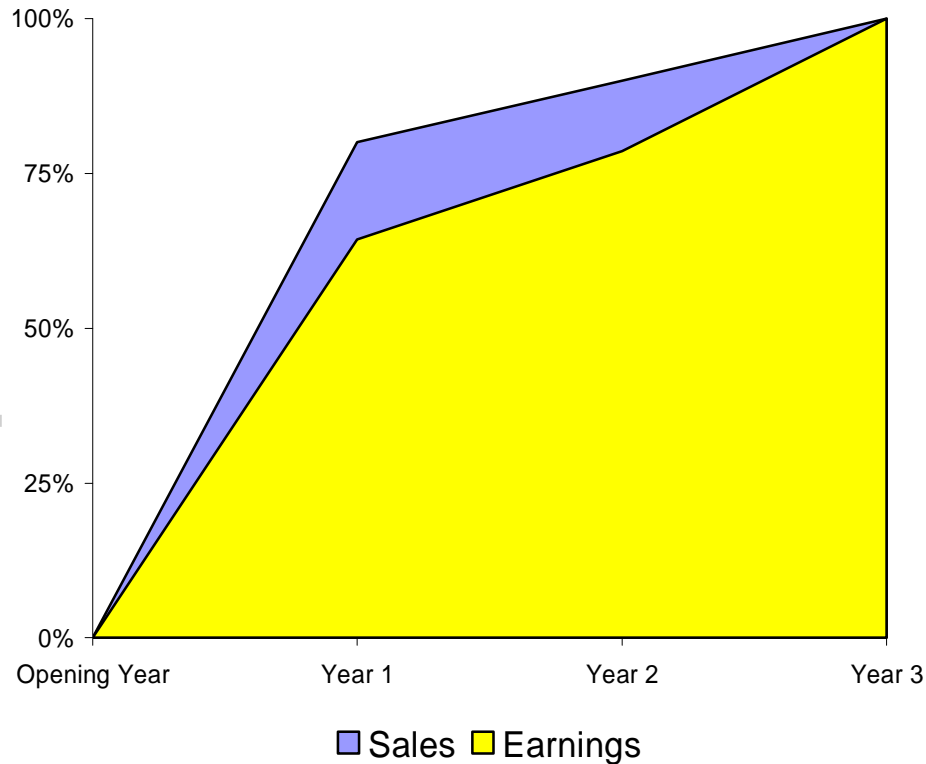
4. STORE UPDATE....

Store ramp up profile & maturity mix

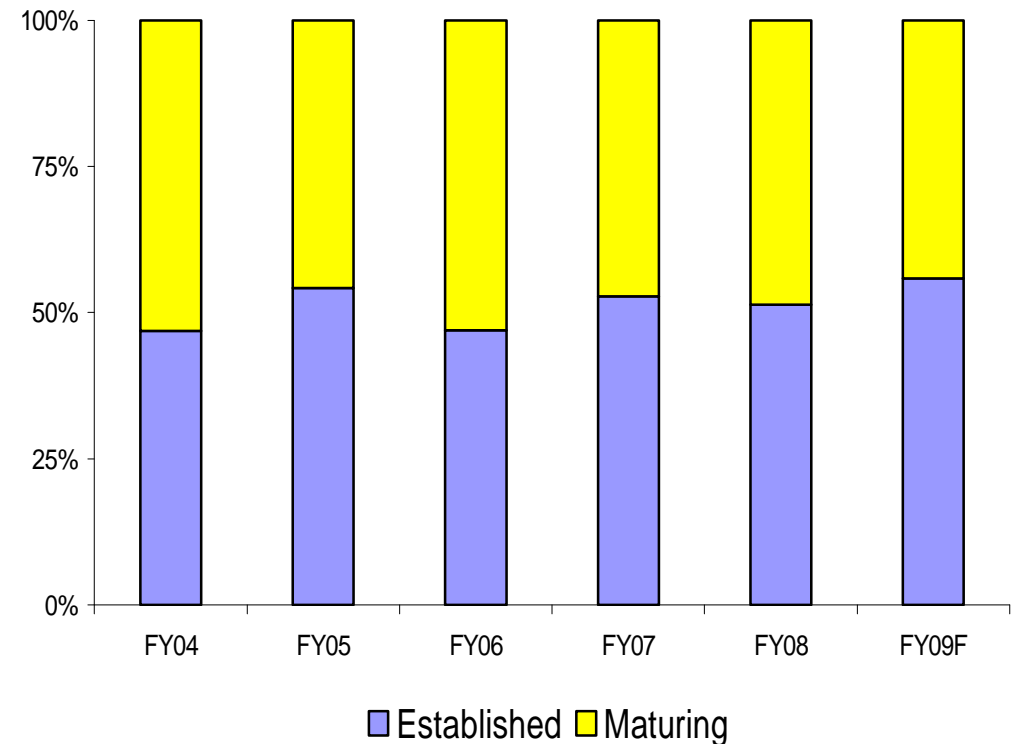


- § Store Ramp Up Profile - a JB Hi-Fi store takes on average 2.5/3 years to mature, sales mature faster than earnings.
- § Approximately 50% of our stores are still in their maturity ramp up and with 24 new stores expected to open in FY09, JB will continue to enjoy strong sales and earnings momentum from its recently opened stores as they mature.

Store ramp up profile



Store maturity mix





4. STORE UPDATE....

Store rollout guidance



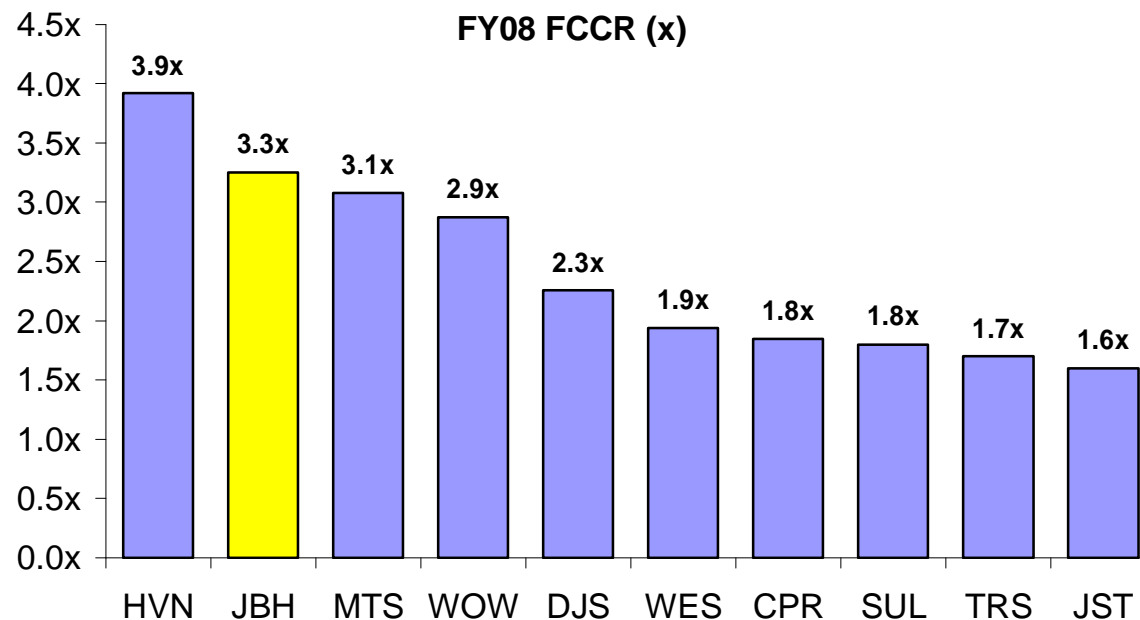
- § Current guidance is circa **150 JB branded stores** in Australia & NZ, ie stores which generate similar sales and earnings as our current stores.
- § The company currently has 96 JB Hi-Fi branded stores.
- § The company also believes there are further opportunities to open smaller format stores with similar product categories in smaller consumer catchment areas. The company will increase its focus on these opportunities as it draws closer to the 150 store target.
- § The company expects to have 13 to 15 new store opportunities on average each year for the next four to five years.

5. INVESTMENT CASE

Low Debt, Strong Cashflow & Good Management



- § The company has been able to fund its growth over recent years through the combination of strong levels of cashflow generated from established stores and a prudent level of borrowings.
- § In considering an appropriate level of debt, JB considers the fixed charge cover ratio (FCCR) the most relevant measure. The FCCR captures the company's ability to meet both its rental and financial burdens.
- § JB Hi-Fi enjoys one of the lowest rental burdens of any retailer at 2% of sales.
- § At year end, the company had fixed charges cover of 3.3 times and interest cover of 11.0 times, making JB one of the more conservatively geared listed retailers.



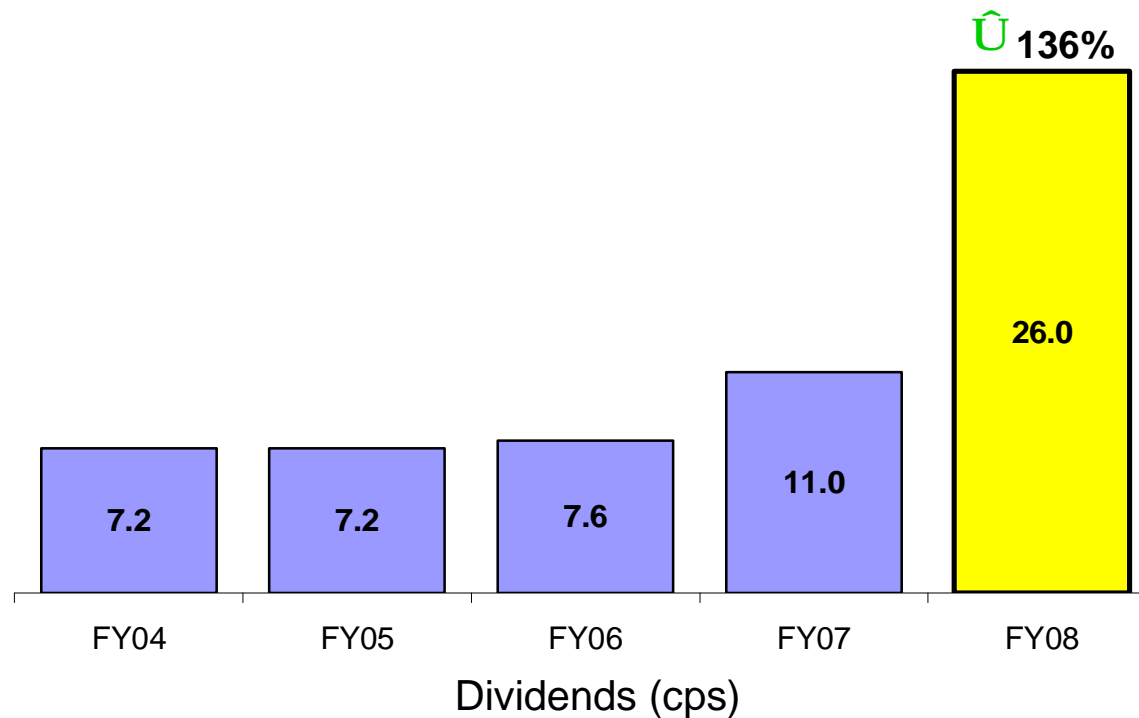
Source: Citi Investment Research

5. INVESTMENT CASE

Dividends & Cashflow



- § The total dividend for FY08 was 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. 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 and increasing buying power and advertising synergies.
- Low capital investment and high return on invested capital.
- Strength and depth of management.