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COMPANY ANNOUNCEMENT

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JB Hi-Fi reports Sales for JB Hi-Fi branded stores up 7.0% and NPAT in line with guidance

Overview

JB Hi-Fi Limited today reports record sales of \$3.13 billion for the year ended 30 June 2012 and full year net profit after tax (NPAT) of \$104.6m, in line with previous guidance.

Sales growth for JB Hi-Fi branded stores in Australia and New Zealand was 7.0% and comparable store sales were -1.0%, with an improved sales trend in the second half. Total sales for the Group, including Clive Anthonys branded stores, grew 5.7%.

Gross margin was 21.1% (FY11: 22.0%) and cost of doing business was 14.9% (FY11: 15.6%, FY11N¹: 14.5%), resulting in EBIT of \$161.5m and an EBIT margin of 5.2% (FY11: 5.5%, FY11N¹: 6.6%). Cash flow from operations was \$215.0 million for the full year.

The directors have declared a fully franked final dividend of 16.0 cents per share. Total dividends for FY12 of 65.0 cents per share represent a payout ratio of 60% of FY12 NPAT. The final dividend will be paid on 7 September 2012. The record date for determining the entitlement is 24 August 2012.

JB Hi-Fi CEO, Terry Smart, said "JB Hi-Fi branded stores growth of 7.0% was pleasing considering the challenging trading environment. Our market share continues to grow with new stores performing well and online sales growing strongly. Our ongoing focus on innovation saw the launch of the JB HI-FI NOW digital music service in December 2011. The speed of industry consolidation increased significantly during the year and, while some short term pain was felt within our gross margin as competitors closed stores and cleared inventory, we expect this consolidation to be beneficial in the longer term. Our staff remain highly motivated and, as always, their knowledge, passion and commitment to customer service remains one of our biggest assets."

"The strength of the JB Hi-Fi model continues to prove itself at both the top and bottom of the retail cycle. The core of our success is a best in class cost base which has enabled us to manage abnormal levels of price deflation and competitor discounting whilst continuing to trade very profitably. Challenging trading conditions have driven competitors with higher cost bases out of the market, enabling JB Hi-Fi to continue to grow both its store network and market share." Mr Smart added. "We are very well positioned for any rebound in consumer spending".

Stores

The Company opened 15 new JB Hi-Fi stores in FY12, all in Australia, closed three Clive Anthonys stores and closed one JB Hi-Fi store.

At 30 June 2012, the Company had 168 stores (Australia: 155, NZ: 13), of which 166 were JB Hi-Fi branded stores. The Company's stated target of 214 JB Hi-Fi branded stores should lead to solid growth in the coming years.

The Company continues to apply stringent store selection criteria with new sites offering JB Hi-Fi a high level of foot traffic and convenient access for customers. The Company's relatively low store numbers, combined with this considered approach to new store locations, means new stores should continue to deliver comfortably in excess of their cost of capital.

¹ During FY11, the Company announced it would pursue a restructuring of its Clive Anthonys business and booked a restructuring charge of \$24.7m post tax. FY11N (normalised) excludes this Clive Anthonys charge.



The Company expects to open 16 new JB Hi-Fi stores in FY13. As part of its proactive management of the store portfolio, 3 smaller sub-scale JB Hi-Fi stores will be closed at the end of their lease terms.

Out of Store

Online sales have been strong, up 77.3% in FY12 as the Company continues to improve its online service levels and offer new features such as pick up in store and "Factory Scoop". The popularity of JB Hi-Fi's sites continues to grow with unique visitors to the websites increasing 41.1% over the previous year to an average of 927,000 per week in FY12. While sales directly transacted through the online site are still relatively low (1.6% of total sales), the site remains an important driver of both in store and online sales.

JB HI-FI NOW, JB Hi-Fi's digital content delivery platform, continues to gain traction with the launch in April of JB Hi-Fi's digital music streaming service mobile apps for both Apple iOS and Android devices and more recently for Windows devices. JB Hi-Fi's ongoing evolution of the NOW platform includes expanding the digital content into new categories thereby capturing new digital markets.

The Company's commercial business continued to see good growth, with sales up 31.7% in FY12.

"Out of store sales, whether online, digital or our commercial division, have continued to show high growth. We continue to see significant upside as our innovation and investment in these areas continues. Whilst our digital strategy is about future earning streams, online is a great opportunity for the brand to expand well beyond the categories we offer in store today. We continue to believe the future of retail is an integrated customer offer where our unique and high energy retail format, combined with our innovative online and digital platforms, will ensure JB Hi-Fi's customer proposition is one that our competitors are unable to match." said JB Hi-Fi CEO Terry Smart.

FY13 Outlook

Sales for July have been in line with expectations with total growth for JB Hi-Fi branded stores of 4.9% and comparable store sales of -1.4%. While still early in the year, gross margin is currently in line with the prior comparative period.

"FY13 holds great opportunities for us to continue to grow market share as we capitalise on the ongoing industry consolidation. We remain focused on improving our gross margin while not compromising our low price promise to our customers. Innovation will continue as we plan to launch new digital services and a new improved JB Hi-Fi website. Our store rollout continues to deliver solid returns based on the success of our considered property selection criteria. Furthermore, we continue to actively manage the existing store portfolio to maximise returns." said JB Hi-Fi CEO Terry Smart.

The Company expects sales in FY13 to be circa \$3.30 billion, a 5.5% increase on the prior year. This guidance implies JB Hi-Fi branded comparable store sales of circa negative 1% in FY13.

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