

## COMPANY ANNOUNCEMENT

11 August 2014

# JB HI-FI reports Sales up 5.3%, NPAT up 10.3% and Total Dividend up 16.7% to 84.0 cps

### Highlights

- ❖ Total sales up 5.3%
- ❖ Comparable sales up 2.0%
- ❖ Gross margin up 17 bps
- ❖ NPAT up 10.3%
- ❖ EPS up 9.1%
- ❖ Total dividend for the year up 16.7% or 12.0 cps to 84.0 cps
- ❖ Dividend payout ratio increased to 65%
- ❖ On-market buy-back of 1.4 million shares or ~1.4% completed

### Overview

JB Hi-Fi Limited today reports net profit after tax (NPAT) of \$128.4 million (FY13: \$116.4 million) from \$3.48 billion of sales (FY13: \$3.31 billion) for the full year ended 30 June 2014 (FY14).

Total sales growth for FY14 was up 5.3% with comparable sales growth of 2.0%.

Gross margin improved 17 bps to 21.7% (FY13: 21.5%) and cost of doing business was 15.2% (FY13: 15.1%), resulting in EBIT of \$191.1 million (FY13: \$177.8 million) and an EBIT margin of 5.5% (FY13: 5.4%).

JB HI-FI CEO, Richard Murray, said "This was a solid result for the Company with NPAT up 10.3%, EPS up 9.1%, an increased dividend of 84 cents per share, up 16.7% on the prior year, and strong sales growth in the first three quarters of FY14. Sales in the last quarter were impacted primarily by the market-wide decline in tablet sales and weaker consumer sentiment since May". Mr Murray added, "Improved gross margins, ongoing cost control and our continued emphasis on customer service, all contributed to the overall result."

### Stores

The Company had 182 stores (Australia: 147 JB HI-FI stores and 22 JB HI-FI HOME stores, NZ: 13 JB HI-FI stores) at 30 June 2014. During FY14, the Company opened seven new JB HI-FI stores and one new JB-HI-FI HOME store, all in Australia. The final Clive Anthonys store and two JB HI-FI stores were closed during FY14. The Company expects to open a total of eight new stores in FY15 (4 JB HI-FI stores and 4 JB HI-FI HOME stores) and maintains its stated target of 214 stores across Australia and New Zealand.

### JB HI-FI HOME

JB HI-FI HOME represents a significant growth opportunity for the Company as it leverages the strength and trust in the JB HI-FI brand. The home appliances market is circa \$4.6 billion, larger than many of the categories JB HI-FI currently operates in and therefore presents a significant opportunity for the Company. As consumers embrace the connected home experience and appliances become a fashion statement within the home, the Company believes that it is the appropriate time to expand appliances in the JB HI-FI model.

The Company had 22 JB HI-FI HOME stores as at 30 June 2014, with one new JB HI-FI HOME store opened and a further 13 existing JB HI-FI stores converted to JB HI-FI HOME during FY14. In FY15, the Company anticipates opening four new JB HI-FI HOME stores and converting a further 26 existing JB HI-FI stores to

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# [ JB HI-FI ]

the JB HI-FI HOME format, taking the total number of JB HI-FI HOME stores to 52 by the end of FY15. As previously announced, the Company sees the potential for approximately 75 JB HI-FI HOME stores by the end of FY16, with the long term opportunity still to be fully quantified.

JB HI-FI CEO, Richard Murray, said "The JB HI-FI HOME expansion is one year ahead of our original expectations with results to date highlighting the opportunity for us to leverage the strength and trust in the JB HI-FI brand into the appliance categories. We continue to build support from suppliers and engagement with our customers and staff. As customers move towards the "connected home", JB HI-FI will continue to be seen as the destination for expert advice from passionate, knowledgeable staff."

## Out of Store

Online sales continue to grow, up 13.9% in FY14, and represent approximately 2.2% of total sales (FY13: 2.0%). Unique visitors to the websites increased by 9.9% over the previous 12 months to an average of 1.3 million per week. JB HI-FI's websites, including the JB HI-FI NOW digital offering, provide customers with a choice on how they wish to shop at JB HI-FI, for both physical goods and digital content.

The Company launched a new website on 1 July 2014, which offers an enhanced customer experience with improved search functionality, richer product information and responsive design.

The Company's Commercial division also continued to see strong growth in FY14 and remains on track to deliver on the Company's longer term aspirational sales target of \$500m per annum, through both organic growth and strategic acquisitions.

To support the expansion of JB HI-FI HOME and the Company's ongoing growth in both Commercial sales and large format TVs, the Company is developing a low cost, fit-for-purpose supply chain and logistics strategy with facilities recently opened in Melbourne, Sydney and Brisbane.

## Capital Management

In June 2014 the Company completed an on-market buy-back of 1.4 million ordinary shares (at a cost of \$25.8 million) in order to offset the dilutionary impact of shares issued to employees under the Company's share option plans in FY14.

Today JB Hi-Fi announced it will undertake a further on-market share buy-back to offset the dilutionary impact of shares which are issued under the Company's share option plan in the post-announcement trading window.<sup>1</sup>

## Dividends

The Board has today increased the full year dividend payout ratio to 65% and, as a result, has declared a final dividend of 29.0 cents per share fully franked, taking the total dividend for the year to 84.0 cents per share (FY13: 72.0 cents per share). The final dividend will be paid on 5 September 2014. The record date for determining the entitlement is 22 August 2014.

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.

<sup>1</sup> See separate ASX Announcement dated 11 August 2014.



**July 14 Trading Update**

July 2014 sales update:

- ❖ total consolidated sales growth in July 2014 was -3.2%; and
- ❖ consolidated comparable sales growth in July 2014 was -5.5%.

JB HI-FI CEO, Richard Murray, said “July sales were impacted by recent market-wide declines in tablet sales. Gross margin in July was ahead of last year. We anticipate sales in the first half of FY15 will continue to be impacted by reduced tablet sales, however we are positive about the pipeline of new products to be released and as a result we expect solid sales growth for the year.”

**Outlook**

In FY15 the Company expects:

- ❖ to open eight new stores, with five opening in the first half;
- ❖ to convert 26 existing stores to JB HI-FI HOME, with 17 to be converted in the first half; and
- ❖ total sales of circa \$3.6 billion.

JB HI-FI CEO, Richard Murray, said “FY15 provides significant opportunities for JB HI-FI including the JB HI-FI HOME roll-out, the continuation of our new store roll-out program, the expansion of our Commercial division and the opportunities created both in store and out of store by our new website. These opportunities, combined with the maturation of the 21 stores opened in the last two years and an exciting new product outlook, will drive sales and earnings growth.”

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