



JB Hi-Fi Limited

Acquisition of 70% interest in Clive Anthonys

5 August 2004

**Chief Executive Officer
Richard Uechtritz**

**Chief Financial Officer
Richard Murray**

Introduction



- Ø JB to acquire 70% of shares in Clive Anthonys Pty Ltd
- Ø Clive Anthonys is a Queensland based electrical goods retailer
 - Consumer Electronics, White Goods, Cooking and Computers
 - 5 Stores currently (5th store opened mid June 2004)
- Ø Clive Anthonys FY2004 Sales \$82.5m, EBIT \$7.5m
- Ø Cost to JB for 70% is \$24.2m, (4.6 times normalised FY04 EBIT)
- Ø 100% debt funded
- Ø Immediately EPS positive, approximately 2.6 cents per share in FY05
- Ø Call option to acquire remaining 30% at fixed 6.0 EBIT multiple

Why Clive Anthonys?



- Ø It's a great business and an attractive Investment at an attractive price
- Very profitable (\$7.5m EBIT on \$82.5m of Sales, EBIT Margin of 9.1%)
 - Strong cashflow and no debt
 - Proven strong performance over years
 - Low cost culture (opex as a % of sales – 16%)
 - Excellent growth prospects (like for like store growth plus national store roll out)

	FY03	FY04	Change
	\$m	\$m	%
Sales	62.3	82.5	+32.4%
EBIT (a)	5.5	7.5	+36.4%
<i>EBIT Margin</i>	8.8%	9.1%	
No. stores	3	5 (b)	+2

(a) normalised EBIT, applying accounting policies consistent with JB Hi-Fi
(b) Capalaba store opened in mid June 2004

Why Clive Anthonys? - continued



- Ø Great management team, who will continue to manage the business
 - Clive Savage (Executive Chairman) one of the best electrical retailers in the country (ex Clive Peeters founder)
 - Managing Director, Senior Buyer, Operations General Manager all staying
 - Commitment through 30 % shareholding

- Ø Right model for the future
 - Right size, stock mix, stock depth and positioning
 - Mermaid Waters one of the most profitable stores in the country
 - New Capabala store best presented store in the country

- Ø Has Scale
 - Expected Sales FY2005 in excess of \$100m from 5 existing stores
 - Infrastructure can support roll out of further stores

Why Clive Anthonys? - continued



- Ø Has synergies with JB Hi-Fi
 - 30% of Clive Anthonys sales are brown goods (TV, Home Theatre, Cameras etc.)
 - 70% of stock purchases are from existing JB suppliers resulting in better buying power (rebates and advertising support) for both parties
- Ø Allows JB to enter the substantial white goods, cooking and computer markets
 - White goods, cooking and computer markets are together substantially larger than the market size that JB currently contests.
- Ø Active management in place means no impact on JB's plan to roll out 7-8 stores by year end
- Ø Clive Anthonys can trade in locations not entirely suitable to JB
 - Homemaker centres
 - Important in Sydney as JB will be primarily in major shopping centres

Ø Short Term

- Further 1 to 2 stores in Brisbane
- Rollout in Sydney

Ø JB will probably move to 100% in 3 to 4 years

- Ensure focus on JB roll out in short term
- Directly motivate Clive Anthony management post acquisition

Q&A



Appendix - Clive Anthony's Stores



Ø 4 Stores in Queensland and 1 store in NSW

Ø Current portfolio of 5 stores

1. Mermaid Waters (QLD) – opened Nov 1996
2. Carseldine (QLD) – opened Dec 2002
3. Labrador (QLD) – opened Nov 2002
4. Tweed Heads (NSW) - opened Dec 2003
5. Capalaba (QLD) - opened June 2004

Mermaid Waters



Carseldine



Labrador



Tweed Heads



Capalaba

