

Chairman's and Group CEO's Address 2020 Annual General Meeting

Chairman's Address

Good morning ladies and gentlemen. Welcome to the 17th Annual General Meeting of JB Hi-Fi Limited.

The financial year ended 30 June 2020 was a strong year for JB Hi-Fi Limited and its subsidiaries (the "Group") in the most challenging of times. We were pleased to report strong sales and earnings for the year as we provided our customers with the products they required as they spent time working and learning at home as well as upgrading their home appliances and entertainment products. Importantly, we also kept our team members in jobs with an absolute focus on health and safety.

The Group's operations continue to be affected significantly by the Covid-19 pandemic and related government actions. We remain committed to supporting government and community efforts to limit the spread of the virus. The health, safety and wellbeing of our team members, customers, business partners and the wider community is our highest priority.

We would like to again thank our almost 13,000 team members across Australia and New Zealand who are doing an incredible job in meeting the extraordinary challenges faced during Covid-19. In recognition of their incredible contribution, in June the Group paid a cash bonus of \$1,000 to each of its full-time customer facing team members (pro-rated for part-timers and casuals) in JB HI-FI Australia, The Good Guys and JB HI-FI New Zealand. Our motivated, passionate, knowledgeable and highly trained staff continue to be our most important asset. We believe the Group is an employer of choice, with an inclusive, busy, enjoyable and, most importantly, safe working environment that helps us to continue to attract and retain high calibre staff.

We would also like to recognise Greg Richards who retired as Chairman of the Board and as a non-executive director on 30 June 2020 after 12 years of service.

Greg made a significant contribution to the growth and performance of the Group during his tenure and, on behalf of the Group, I would like to thank Greg for the role that he has played as both a director and as Chairman. We wish him all the best for the future.

It is an honour to succeed Greg as Chairman and I am looking forward to continuing the focus on delivering sustainable long-term growth for shareholders.

It is with deep sadness and sincere condolences that we acknowledge the passing of Wai Tang. Wai was appointed to the Board in September 2015 and retired in February 2020 shortly before passing away. Wai's passion for retail was evident through her time on the Board, particularly her ongoing focus on the Group's digital channels, customer experience and supply chain. She made a significant contribution to the Group and is greatly missed.

Turning to the Group's operating model, the Group comprises two leading retail brands: JB HI-FI, with a focus on Technology and Consumer Electronics; and The Good Guys, with a focus on Home Appliances and Consumer Electronics.

The value proposition for each brand centres around ranging the best brands at low prices supported by exceptional customer service across our store network in Australia and New Zealand, our online offering and through our commercial channels, JB HI-FI Solutions and The Good Guys Commercial.

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The dual branded retail approach is underpinned by five key enablers that provide the Group with a unique competitive advantage, being:

- scale;
- a low cost operating model;
- quality store locations;
- strong supplier partnerships; and
- our multichannel capabilities.

An integral part of the Board's ongoing strategy is to encourage innovation and diversification through new products, technology, merchandising formats, advertising and property locations, in a controlled and responsible manner to ensure that we remain current and relevant to our customers. We have a culture of embracing change, which is seen as a "natural" part of the business, and this approach provides opportunities to increase revenue, margin and productivity.

In FY20 the Group adopted a Sustainability Plan, outlining our commitment to having a positive impact on our people, our community and our environment.

We are committed to:

- developing our people and providing them with a safe and respectful workplace, whilst looking for ways to improve work flexibility, diversity and inclusion;
- giving back to the communities within which we live and work; and
- minimising the impact of waste and greenhouse gases generated by our operations on the natural environment.

In FY20, over \$4m was raised as part of our Workplace Giving Programs and Bushfire support and we launched re-usable and user-pays plastic bag options at JB HI-FI stores, resulting in a 72.5% reduction in plastic bag usage and in the elimination of 59 tonnes of plastic waste.

In August we released our first Sustainability Report which can be found on the Group's investor website. We are pleased with the progress made to date and the overwhelmingly positive response from our team members.

The Group regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders. Continued solid earnings growth and prudent management of our balance sheet, including relatively low gearing, provides the ability for us to maintain and optimise our capital structure. The Board believes that our current dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders, the repayment of debt and the reinvestment of earnings for future growth.

In closing, the Board remains focused on building long term shareholder value. For the record, since JB Hi-Fi Limited listed in October 2003:

- the JB Hi-Fi share price compound annual growth rate is 21.9% to 26 October 2020, compared to 3.7% on the ASX 200 Accumulation Index over the same period;
- the earnings per share compound annual growth rate is 21.2%¹; and
- the dividend per share (fully franked) compound annual growth rate is 22.7%.

More recently, over the past three years:

- the JB Hi-Fi share price compound annual growth rate is 28.1% to 26 October 2020, compared to 1.3% on the ASX 200 Accumulation Index over the same period;
- the earnings per share compound annual growth rate is 15.9%¹; and
- the dividend per share (fully franked) compound annual growth rate is 17.0%.

I would like to take this opportunity to thank my fellow directors, the executive and particularly our store and support teams for their unwavering commitment to the ongoing prosperity of your company and its shareholders.

I now invite Richard to address the meeting on the operational result.

¹ The Group adopted the new Accounting Standard AASB 16 Leases on 1 July 2019 and, accordingly, FY20 Statutory Results have been prepared in accordance with the new standard. The Group used the modified retrospective approach when adopting AASB 16 and, as a result, prior period comparatives were not restated. FY20 Statutory NPAT also includes a \$24.0m AUD (post tax) non-cash write-off of certain JB Hi-Fi New Zealand assets ("NZ impairment"). Unless otherwise stated, all results disclosed in this Chairman's and Group CEO's address are underlying results and exclude the impact of AASB 16 and the NZ impairment.

Group CEO's Address

Thank you Stephen and good morning ladies and gentlemen.

As we have said before, retailing is a dynamic and exciting industry and JB HI-FI and The Good Guys are market leaders in their respective sectors. The core of our proposition has always been, and will always remain, our unwavering focus on our customers. Our customers have continued to turn to us for their technology and home appliance needs and our almost 13,000 dedicated and knowledgeable team members across Australia and New Zealand have responded and adapted in an amazing manner to make sure we can meet these needs safely and effectively.

As Stephen mentioned, we continue our absolute commitment to the health, safety and wellbeing of team members throughout Covid-19 and are pleased to have kept all our team members in jobs without any Australian Government Covid-19 subsidies.

We are pleased with how our businesses continue to adapt to the challenges presented by the virus and related restrictions, including how our online and supply chain operations have scaled and maintained a high level of customer service and on-time delivery during a period of significantly increased volume. We continue to invest in our online capacity and capability and in our supply chain, which in FY20 included the launch of a new online platform for JB HI-FI in Australia and 3 new home delivery centres. In FY20, online sales were up c.50% on the prior year to nearly \$600m across the Group, with Q4 sales up 134%.

FY20 Results¹

Turning to our last financial year's results, FY20 was a strong year for the Group with sales of \$7.9 billion, up 11.6% on the prior year. Underlying EBIT was up 30.5% to \$486.5 million and Underlying NPAT was up 33.2% to \$332.7 million with Statutory NPAT up 21.0% to \$302.3 million. Underlying Earnings per share was up 33.2% to 289.6 cents per share and total dividends for FY20 were up 33.1% or 47 cents per share to 189 cents per share. The Group had 314 stores across Australia and New Zealand as at 30 June.

JB HI-FI Australia total sales grew by 12.5% to \$5.32 billion, with comparable sales up 12.2%. Sales momentum was strong through the year and accelerated in Q4 as customers spent more time working, learning and seeking entertainment at home. Online sales grew 56.6% to \$404.0 million or 7.6% of total sales, with Q4 sales up 155.2%.

JB HI-FI Australia gross profit increased by 11.7% to \$1.17 billion resulting in a gross margin of 22.0%. CODB was 14.1%, down 80 bps on the prior year. The business's low CODB remains a competitive advantage and is maintained through a continued focus on productivity, minimising unnecessary expenditure and leveraging scale.

Elevated sales growth and cost control more than offset the additional operating costs associated with ensuring that team members and customers remained safe during Covid-19 and resulted in strong earnings growth. EBIT was up 26.2% on the prior year to \$380.8 million with EBIT margin up 78 bps to 7.2%.

JB HI-FI New Zealand total sales were down 5.7% to NZD222.8 million, with comparable sales down 5.7%. Q4 sales were materially impacted by the temporary closure of stores as a result of the New Zealand Government restrictions. Online sales in New Zealand grew 53.3% to NZD20.4 million, or 9.1% of total sales, with Q4 sales up 145.0%.

Gross margins declined 75 bps to 16.5% and CODB was 16.6%, down 14 bps on the pcp. EBIT was (NZD1.9 million), in line with last year as the impact of the temporary store closures was offset by the wage subsidy received from the New Zealand Government, which was passed through directly to team members, and reductions in depreciation.

The Group is focussed on continuing to improve performance in New Zealand however, as a result of past performance and the ongoing uncertainty arising from the current environment, in FY20 the Group reviewed the carrying value of certain JB HI-FI New Zealand assets. This review resulted in a one off NZD25.6 million (AUD 24.0 million) non-cash, post tax impairment.

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The Good Guys total sales grew by 11.2% to \$2.39 billion, with comparable sales up 10.8%. Sales momentum improved through the year and accelerated in Q4 as customers spent more time working and learning at home as well as upgrading their home appliances and entertainment products. Online sales were up 33.0% to \$174.2 million or 7.3% of total sales, with Q4 sales up 91.3% as strong sales on The Good Guys website were partially offset by a decline in third party marketplace sales.

Gross profit was \$490.2 million whilst gross margin was down 9 bps to 20.5%, with sales mix offsetting gross margin improvements. CODB was 15.4%, down 121 bps as store wages remained well controlled throughout the year. Strong operating leverage from the elevated sales growth and cost control drove strong EBIT growth. EBIT was up 47.8% on the prior year to \$107.8 million with EBIT margin up 112 bps to 4.5%.

The Group balance sheet continued to grow in strength with relatively low financial and operating leverage, evidenced by our solid fixed charges cover of 3.4 times, zero net debt and interest cover of 40.4 times.

FY21 Trading Update

In regards to FY21 trading, we have today provided a sales update for Q1².

For the period 1 July 2020 to 30 September 2020:

- JB HI-FI Australia total sales growth was 27.3% (pcp: 4.7%), with comparable sales growth of 27.6% (pcp: 3.7%);
- JB HI-FI New Zealand total sales growth was -2.5% (pcp: 3.8%), with comparable sales growth of -2.5% (pcp: 3.8%); and
- The Good Guys total sales growth was 30.9% (pcp: -0.5%), with comparable sales growth of 30.9% (pcp: -1.8%).

We are pleased to report very strong comparable sales growth in Australia, even with our metropolitan Melbourne stores temporarily closed to customers during this period. Our online businesses have continued to scale and meet the needs of our customers in a period where restrictions have impacted their ability to visit our stores. This online growth combined with continued sales momentum in stores across the rest of Australia, has resulted in a strong start to FY21 and positions us well as we enter the key Christmas trading period.

Following the Victorian Government's announcement of a move to Third Step restrictions, all stores located in metropolitan Melbourne re-opened to customers yesterday. We are pleased to welcome back metropolitan Melbourne customers into stores in a safe manner, as well as continuing to meet the needs of our customers online with fulfillment by home delivery and contactless click and collect.

Whilst the Group is pleased with its start to FY21, in view of the uncertainty arising from Covid-19, the Group does not currently consider it appropriate to provide FY21 sales guidance.

In closing, I would again like to recognise and thank our almost 13,000 team members across Australia and New Zealand who have delivered another record result in FY20 in a challenging environment. Our team members are our number one asset and our most important competitive advantage; their dedication and deep product knowledge continues to delight our customers every day.

In JB HI-FI and The Good Guys, we believe we have two unique and relevant brands, particularly in the eyes of our customers. With a customer focused business model built on a diverse product offering, deep relationships with our suppliers, a high quality multichannel offer and exceptional customer service, we are confident we will maintain our market leading competitive position.

I look forward to another exciting and successful year in FY21.

Authorised by the Board.

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² During Q1 FY21, in Australia 46 JB HI-FI stores and 21 The Good Guys stores in metropolitan Melbourne were temporarily closed to customers from the 6th of August. In New Zealand, 7 JB HI-FI stores in Auckland were temporarily closed to customers from the 12th of August to the 31st of August. No adjustments have been made for these temporary store closures.