

## COMPANY ANNOUNCEMENT

7 February 2011

## JB Hi-Fi reports Sales up 8%, Profit up 16% and a Dividend of 48.0 cps

RESULTS OVERVIEW	HY10	HY11	Growth
☐ Sales	\$1.55b	<b>\$1.68b</b>	8.3% ↑
☐ Gross Margin	21.1%	<b>21.5%</b>	+44 bps ↑
☐ Cost of Doing Business	13.2%	<b>13.2%</b>	0 bps -
☐ EBIT	\$111.4m	<b>\$127.0m</b>	14.0% ↑
☐ EBIT Margin	7.2%	<b>7.5%</b>	+38 bps ↑
☐ NPAT	\$76.0m	<b>\$87.9m</b>	15.6% ↑
☐ Earnings per share	70.5 cps	<b>80.6 cps</b>	14.5% ↑
☐ Interim dividend - fully franked	33.0 cps	<b>48.0 cps</b>	+15.0 cps ↑

JB Hi-Fi Limited today reported a record half year net profit of \$87.9 million (HY10: \$76.0 million) from \$1.683 billion of sales for the six months ending 31 December 2010.

Total sales growth for the period was 8.3% (Australia: 8.8%, New Zealand: 2.4%<sup>1</sup>). Comparable store sales growth for the period was negative 1.5% (Australia: negative 1.6%, New Zealand: 3.9%<sup>1</sup>). Gross margin was 21.5% (HY10: 21.1%) and cost of doing business (CODB) was steady at 13.2% (HY10: 13.2%), both contributing to a 38 bps increase in EBIT margin to 7.5% (HY10: 7.2%). Cash flow from operations was strong at \$218.5 million for the half year.

The directors have declared a fully franked interim dividend of 48.0 cents per share, in line with dividend policy of a payout ratio of 60%. The dividend is to be paid on 4 March 2011. The record date for determining the entitlement is 17 February 2011.

CEO Terry Smart said "We are delighted with our earnings growth in this difficult retail environment. Our sales growth of 8.3% was pleasing given the significant price deflation experienced particularly in flat panel TV's and the decline in games which was driven by the lower sales of Nintendo Wii, Nintendo DS and Sony PSP off the strong growth last year. The strength of the model was shown over the half as the diversity of our product offering assisted us in absorbing the reduction in sales in some key categories, whilst delivering our everyday low price strategy supported by our low cost of doing business and benefits from improved scale, ensured that we continued to meet the market on price without sacrificing earnings margin. This result is a credit to the JB team and continues to reinforce the strength of the JB model even in these tougher times."

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

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The company opened 13 new JB Hi-Fi stores (Australia: 10, New Zealand: 3) in this first half and plans to open a further 5 new JB Hi-Fi stores in the second half, bringing the total number of new stores for the year to 18. These stores, together with the maturing of the 42 stores opened over the previous two financial years, will continue to drive solid revenue and earnings growth.

The group currently has 153 stores (Australia: 140, NZ: 13), of which 143 are JB Hi-Fi branded stores. The company is targeting 210 JB Hi-Fi branded stores and plans to open circa 15 stores per annum. With 67 JB Hi-Fi stores yet to open, the company can look forward to at least 4 to 5 years of good sales and earnings growth.

JB has continued to develop its online presence. Our online sales grew 35% over the half year and were up 49% in December. Whilst a small but growing percentage of JB total sales, the online business is an important part of our overall strategy.

With our continued strong cash flow generation and strong balance sheet, we have commenced our Capital Management Review and expect to provide the market with the outcome of this review by the end of May 2011.

Sales in the first five weeks of the second half were challenging as consumer spending remained subdued. Consolidated sales growth remained in line with the first half, with JB Hi-Fi Australia's comparable store growth flat. Our Clive Anthony's and JB New Zealand stores experienced negative comparable store sales growth.

"Sales since the start of January have remained tight as high levels of discounting and the impact of price deflation continued. Whilst we anticipate a volatile and competitive market in the second half, we are confident that the JB model can deliver another record year of sales and earnings" said CEO Terry Smart.

The company expects Sales in FY11 to be circa \$3.0 billion and Net Profit after Tax in the range of \$134 million to \$139 million, which is a 13% to 17% increase on the prior year.

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Constant local currency ie NZD

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