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COMPANY ANNOUNCEMENT

30<sup>th</sup> October 2013

## Chief Executive Officer's Address 2013 Annual General Meeting

Thank you Greg and good morning ladies and gentlemen.

Improved gross margins, ongoing cost control and our emphasis on high levels of customer service, all contributed to a solid overall result for the financial year ended 30 June 2013.

The Company achieved a record sales result of \$3.31 billion in FY13, with total sales growth of 5.8% and comparable sales growth of -0.6%. We were especially pleased to see positive sales momentum maintained throughout the second half of FY13, with positive comparable sales of 3.2% and total sales growth of 10.3% in the period.

While the market remained very competitive in FY13, our total company gross margin improved as we cycled through the unsustainable discounting seen in the second half of FY12.

At 15.1%, our low cost of doing business continues to be a competitive advantage and remains lower than our major listed competitors. Store wages, adjusted for the Fair Work Australia award increase on 1 July 2012, remained flat as a percentage of sales, demonstrating our ability to actively manage wages in line with the market, while remaining focused on customer service.

In December 2012 we commenced a trial of our "HOME" store concept with a total of 8 stores converted by the end of FY13. Sales results during the trial period were positive, with strong customer engagement with the new categories and no negative impact on existing JB Hi-Fi business. We are excited about the sales growth opportunity that the circa \$4.6 billion home appliance market presents.

The trial "HOME" stores demonstrated how JB Hi-Fi can integrate the home appliance categories within its existing model while maintaining the unique JB Hi-Fi brand personality. We anticipate converting 10 additional existing stores in FY14 and see the potential for approximately 50 HOME stores over the next three years. The long term store number opportunity is still to be fully quantified, as this will be dependent on space available in existing stores and the suitability of new store locations.

During FY13, 13 new JB Hi-Fi stores were opened and three were closed. There were 176 JB Hi-Fi stores, 163 in Australia and 13 in New Zealand, open as at 30 June 2013. To maximise new store opportunities, we continue to apply stringent store selection criteria to potential new sites to ensure that they offer JB Hi-Fi a high level of foot traffic and convenient access for customers.

JB Hi-Fi continues to leverage the benefits of its bricks and mortar locations combined with a strong online presence. The popularity of JB Hi-Fi's websites also continues to grow with online sales up 29.8% in FY13. Unique visitors to our websites increased 24.1% over the previous year to an average of 1.15 million per week in FY13. While sales directly transacted through the online site are still relatively low at 2.0% of total sales, the site remains an important driver of both in-store and online transactions.

Our digital content delivery platform, JB HI-FI NOW, allows the Company to stay relevant and engaged with consumers' present and future content consumption behaviour. Our digital offer was expanded during FY13 from Music streaming to include eBooks and a Video download redemption service.

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Our Commercial business, while off a relatively small base, grew strongly with sales up 68.7% in FY13. To strengthen our commercial presence, we acquired 51% of Network Neighborhood, a corporate and education IT services provider, in February 2013 and followed this in March with the launch of our B2B Telco offer.

JB Hi-Fi's success has been underpinned by its unique brand personality, adaptable and low cost operating model, market position and its motivated, passionate and knowledgeable staff. New stores continue to perform well as our focus on high foot traffic locations ensures maximum exposure and convenience for customers. We continue to evolve and innovate the JB Hi-Fi model, ensuring we not only remain relevant to our existing customers but gain new sales opportunities for now and into the future. Our recent entry into the home appliance market has shown early success, with these new categories integrating seamlessly into our existing model and maintaining the unique JB Hi-Fi brand personality.

By Christmas this year we expect to have opened six new stores since 1 July 2013, with one store being in the new HOME format. A further seven existing stores are also expected to have been converted to our new HOME store format by Christmas, bringing the total number of HOME stores to 16. The Company maintains its stated target of 214 JB Hi-Fi stores and is on track to open its previously stated guidance of 12 new JB Hi-Fi branded stores and 10 HOME conversions during FY14.

We see good growth opportunities ahead driven by significant new product releases, growth from our new store roll out program, Online and Commercial businesses, and the expansion of the home appliance categories via JB HI-FI HOME.

Whilst we still have the critical Christmas trading period ahead of us, we are pleased with our first quarter sales result with total growth of 8.1% and comparable sales growth of 2.9%. As always we expect the market to remain competitive as retailers drive for market share in the lead up to Christmas, however we remain confident of our ability to execute and maximise this important trading period.

In line with our previous guidance, we expect total sales to increase in FY14 by between 6% and 8% on the prior year.

We look forward to another successful year in FY14 driven by the multiple growth opportunities ahead of us supported by the enthusiasm and drive of our exceptional staff.