

Chairman's Address 2009 Annual General Meeting

I am pleased to report that the year ended 30 June 2009 was another record year for the company with the strong performance of existing stores and the roll out of 19 new stores. We continued our expansion in the New Zealand market, opening an additional three JB Hi-Fi stores.

In 2009 we saw:

- § an increase in revenue of 27% to \$2.3 billion
- § an increase in net profit after tax of 45% to \$94.4 million
- § an increase in earnings per share of 43% to 88.3 cents

Total dividends relating to the 2009 financial year increased by 69% from 26.0 cents per share in the prior year to 44.0 cents per share. This represented a payout ratio of 50% in line with the board's targeted payout ratio.

Shareholders who invested in the IPO in October 2003 have achieved an annual compound return of 51.1% compared to 6.3% for the ASX 200 Accumulation Index over the same periodⁱ.

Low operating costs is a cornerstone philosophy for the company. Low costs have allowed us to build upon our everyday low pricing. Low prices drive sales, increase our economies of scale which in turn allows the company to share this increase in value between the customer via lower prices and to the shareholder through increasing profit margins and dividends.

For the year ended 30 June 2009 our cost of doing business was 14.5%, a significant improvement from 15.3% in the previous year. We challenge ourselves to produce year on year improvement in this key performance measure. Maintaining a lower cost base than our competitors, in the absence of materially better buying terms, makes it difficult for those competitors to match our pricing and still earn an appropriate return on capital. It is our belief that our low cost position becomes self reinforcing.

The cost advantage is continually enhanced by:

- § increasing sales from established stores and the new store roll out, which improves our economies of scale in buying (product, advertising and services) and support office costs; and
- § an appropriate application of technology and training to improve labour productivity whilst maintaining customer service levels.

Our low price position has certainly been a key driver of our market share growth during weaker macroeconomic periods. The 'drift to thrift' has been seen in a number of retail categories including consumer electronics. Increasingly customers have been emphasising price in their purchasing decision. The company has won customers that may not have previously shopped in our stores and now the opportunity is to keep those customers as economic conditions improve. Our increasing store presence means that JB can offer convenience as well as product and price, further improving our competitive positioning.

A lot has been made of the impact of the fiscal stimulus on retail trade and JB's recent performance. There is no question that the stimulus payments supported retail trade over the last nine months. At JB Hi-Fi we did not experience a surge in demand correlated with the timing of the payments although we may have avoided dips that otherwise we may have suffered. Although the retail stimulus has run its course, positive economic news has provided the necessary impetus to drive a reasonable level of retail activity over the remainder of 2009/10. Unemployment could potentially have had a real dampening effect on consumer confidence but with estimates of maximum unemployment rates being revised downwards and GDP growth upwards, the foundation is set for a solid Christmas trading period. Whilst interest rates are likely to continue to rise in the short term to more normal levels, this should be seen by consumers as a further sign of confidence in a resurgent economy.

ⁱ As at 30 September 2009

The recent strengthening of the Australian dollar, particularly against the US dollar has also attracted a lot of comment. It is important to remind shareholders that the company buys from local subsidiaries of the off shore manufacturers, music and movie companies in Australian dollars. It is the manufacturer that takes the principal currency risk. As all our major competitors buy locally for most items, fluctuations in currency do not impact on our relative competitiveness. A rising Australian dollar may result in lower prices to the consumer which in turn may increase the volume of sales albeit at lower unit margin.

Whilst Australia has continued to perform well through the global financial crisis, New Zealand's economic performance has been materially worse. The country has endured five consecutive quarters of recession which ended in June 09 with a 0.1% GDP growth recorded for that quarter. Our relatively smaller market footprint, weaker macro economic conditions and lower brand awareness contributed to a relatively poor result for the New Zealand operations. We expect that the JB Hi-Fi brand is similarly unique in New Zealand and will provide a strong avenue for growth as the economy improves and our operations achieve critical mass.

The Clive Anthony's brand continues to expand with 3 new stores opened in the 12 months to 30 June 2009. The operations of Clive Anthony's stores are now fully integrated with the JB Hi-Fi stores and are expected to benefit from our focus on cost and low price delivery. We have continued to fine tune the brand positioning and store look and feel. In the interim we have slowed the rate of growth of Clive Anthony's until we are satisfied that we have the brand correctly positioned.

The rollout of JB Hi-Fi branded stores has continued across Australia and New Zealand. The Company has identified 160 store locations that can be serviced by the existing store format and stock mix. It is expected that a further 50 smaller stores can be opened in areas offering a smaller catchment of potential customers. Whilst early in their development, these smaller stores are performing well adding further confidence to the scope of our property plan. With a target therefore of 210 JB Hi-Fi branded in Australian and NZ, building on our current base of 114 JB Hi-Fi stores today, we look forward to many years of growth to come.

Today we employ nearly 5,000 staff in Australia and New Zealand. In financial year 2009 we saw a net increase in our total employees of 607 or 15%. With each new store opening we create approximately 30 new employment opportunities. We would anticipate in the 2010 financial year creating over 700 new employment opportunities in the Company.

The company has been able to fund its growth over recent years through the combination of strong levels of cashflow generated from established stores and a prudent level of borrowings. At year end, the company had a fixed charges cover of 3.8 times and an interest earned multiple of 17.7 times. In determining what is an appropriate and prudent level of debt, management and the board consider both operational and financial leverage. Operational leverage is best described as the fixed operating costs that must be met whether the business trades or not. As in any retail business, the largest of these is rent. For the reasons discussed already, JB Hi-Fi enjoys one of the lowest rental burdens of any retailer at circa 2% of sales. The fixed charges cover ratio captures the company's ability to meet both its rental burden and its financial burden, at 3.8 times, JB is one of the more conservatively geared listed retailers.

I am pleased to report in November 2008 JB Hi-Fi launched its Workplace Giving Program - "Helping Hands". Today more than 250 employees make regular weekly contributions to this program. The program is operated with the support of Australian Charities Fund (ACF) and all administration and support costs are funded by JB Hi-Fi. Through this program, employees are able to donate to five charities. These charities were selected after a survey of our employees identified the causes they considered most important. Employee donations are matched dollar for dollar by JB Hi-Fi. Like with all Australians, JB Hi-Fi and our employees were horrified by the tragic bushfires in Victoria in February 2009. As a result, we immediately added the Red Cross Australia - 'Victorian Bushfire Appeal' Fund to our Helping Hands Program, which resulted in JB Hi-Fi and our employees making a substantial contribution towards the bushfire appeal. Together with our employees, we are proud to have raised more than \$400,000, in just over 7 months since the program commenced in the 2009 financial year.

In conclusion we are delighted that the company has performed strongly over the last 15 months. Profitable growth in a period of strong economic headwinds has reinforced for us the attractiveness of the sectors we serve, the strength of our model and the quality of our people. The company is fortunate to be able to continue to attract and retain knowledgeable and enthusiastic staff. We are a desired employer built around an important combination of financial success and a fun, safe working environment.

I will now invite CEO Richard Uechtritz to address the meeting on the operational results.

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