

JB Hi-Fi Limited

Half Year Results Presentation
31 December 2012



11 February 2013



AGENDA



1. **Performance**
2. **Profit and Loss Statement**
3. **Trading Performance**
4. **JB HI-FI HOME Trial**
5. **Outlook**
6. **Cash Flow and Balance Sheet**
7. **Dividends**
8. **Store Update**
9. **Investment Checklist**

Terry Smart
CEO

Richard Murray
CFO



1. PERFORMANCE - HIGHLIGHTS



- JB Hi-Fi branded store sales up 3.1%
- Gross margin up 28 bps
- NPAT up 3.0%
- EPS up 2.9%
- Interim dividend up 1 cps to 50 cps



1. PERFORMANCE - SUMMARY



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❑ Total JB Hi-Fi Branded Store Sales
- comparable store sales

	HY12	HY13	Mvt
	\$1.75b	\$1.81b	+3.1% ↑
	n/a	n/a	-3.5% ↓ [ex Visual (TV) -0.6%]
❑ Total Sales	\$1.77b	\$1.82b	+2.3% ↑
❑ Gross Margin	21.2%	21.5%	+28 bps ↑
❑ Cost of Doing Business	13.6%	13.8%	+25 bps ↑
❑ EBIT	\$120.7m	\$123.7m	+2.4% ↑
❑ EBIT Margin	6.80%	6.81%	+1 bps ↑
❑ NPAT	\$79.6m	\$82.1m	+3.0% ↑
❑ Earnings per share	80.7 cps	83.0 cps	+2.9% ↑
❑ Interim dividend - fully franked ¹	49.0 cps	50.0 cps	+1.0 cps ↑

¹ The interim dividend of 50.0 cents per share represents a payout ratio of 60% of HY13 earnings, to be paid on 8th March 2013 (record date 21st February 2013).



2. PROFIT AND LOSS STATEMENT



\$m	AUST			NZ (NZD) ¹			CONSOLIDATED		
	HY12	HY13	Growth	HY12	HY13	Growth	HY12	HY13	Growth
Sales	1,677.3	1,724.0	2.8%	124.9	117.5	-6.0%	1,774.7	1,816.2	2.3%
Gross Profit	360.7	375.1	4.0%	20.8	20.1	-3.6%	377.0	390.9	3.7%
Gross Margin	21.51%	21.76%	+25 bps	16.67%	17.09%	+41 bps	21.24%	21.52%	+28 bps
EBITDA	133.4	136.8	2.6%	3.4	3.8	10.4%	136.1	139.8	2.7%
Depreciation & Amortisation	14.4	15.2		1.2	1.2		15.4	16.1	
EBIT	119.0	121.6	2.2%	2.2	2.6	17.2%	120.7	123.7	2.4%
EBIT Margin	7.10%	7.05%	-4 bps	1.77%	2.21%	+44 bps	6.80%	6.81%	+1 bps
NPAT							79.6	82.1	3.0%
Headline Statistics:									
Earnings per share (basic ϕ)							80.7	83.0	2.9%
Cost of doing business ²	13.55%	13.82%	+27 bps	13.93%	13.87%	-6 bps	13.57%	13.82%	+25 bps
Stores ³	155 ⁴	163	+8 stores	13 ⁴	13	-	168 ⁴	176	+8 stores

¹ Refer to Appendix II(b) for NZ P&L in AUD.

² Refer to Appendix II(d) for reconciliation of CODB.

³ In HY13, 11 JB Hi-Fi stores opened (Aust: 11, NZ: Nil), four JB Hi-Fi (Aust) stores were converted to JB HI-FI HOME and three sub-scale JB Hi-Fi (Aust) stores were closed.

⁴ As at 30 June 2012.



3. TRADING PERFORMANCE



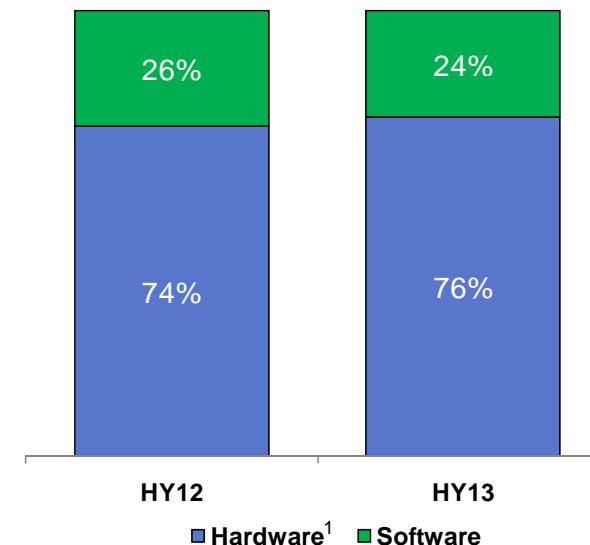
Sales – Total JB Hi-Fi branded store growth of 3.1%

Australia:

- JB Hi-Fi branded store sales grew by 3.6% to \$1.71b.
- Customer transactions for comparable stores have shown a positive trend with numbers up on the prior corresponding period (pcp).
- Comparable sales were negative 3.4%.
- One product category, Visual, accounted for 85% of this decline (excluding Visual comparative sales declined 0.6%).
- The Visual category was down 11.2% on a total basis and comparable stores were down 17.9%. We continue to see strong market share gains and believe the visual market is moving into a more typical replacement cycle, where volumes should stabilise.
- Hardware¹ sales were up 6.5% (excluding Visual up 11.5%), with comparable sales negative 0.8% (excluding Visual positive 4.0%), driven by growth in Computers & IT, Cameras and Telecommunications.
- Software sales (Music, Movies and Games) for JB Hi-Fi branded stores were negative 4.9% and, on a comparable store basis, negative 10.8%. The rate of comparable store decline in software was similar to FY12.

	Sales Growth	
	HY13	
	Total	Comps.
JB Hi-Fi Brand		
- Australia	3.6%	(3.4%)
- New Zealand (NZD)	(6.0%)	(5.6%)
Total JB Hi-Fi Brand	3.1%	(3.5%)

Sales Category Splits by Value (JB Hi-Fi Brand - AUST)



¹ Hardware category includes all non-software sales (i.e. excludes music, movies and games software categories).

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3. TRADING PERFORMANCE...



Sales (cont.)

New Zealand:

- Sales declined by 6.0% to NZ\$117.5m.
- Comparable store sales were negative 5.6%.
- Sales were impacted by cycling the Rugby World Cup in HY12.
- Market pricing is expected to remain aggressive during the remainder of FY13.

	Sales Growth	
	HY13	
	Total	Comps.
JB Hi-Fi Brand		
- Australia	3.6%	(3.4%)
- New Zealand (NZD)	(6.0%)	(5.6%)
Total JB Hi-Fi Brand	3.1%	(3.5%)



3. TRADING PERFORMANCE...

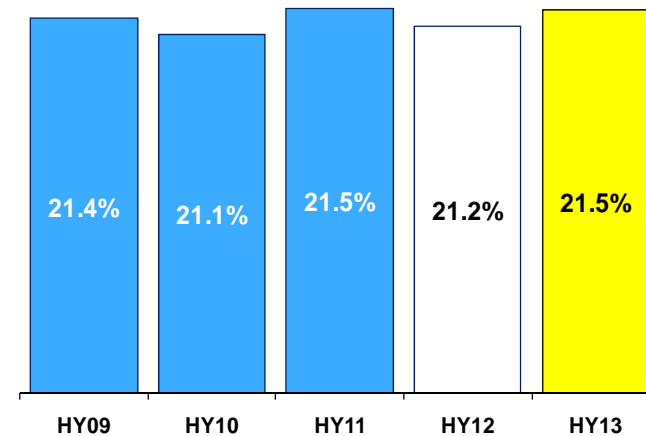


Gross Margin – Market competitive but a solid result

- Consolidated gross margin was 21.5%, a 28 bps increase on the pcp.
- In Australia, the gross margin in HY13 increased by 25 bps to 21.8%, driven in part by the reduction in the heavy discounting seen in December 2011.
- Stretch rebates were however down on the prior period, negatively impacting margin by 12 bps in Australia.
- In New Zealand, the gross margin continued to grow, increasing 41 bps to 17.1%.

	GROSS MARGIN	
	HY12	HY13
Australia	21.5%	21.8%
New Zealand	16.7%	17.1%
Consolidated	21.2%	21.5%

Gross Margin



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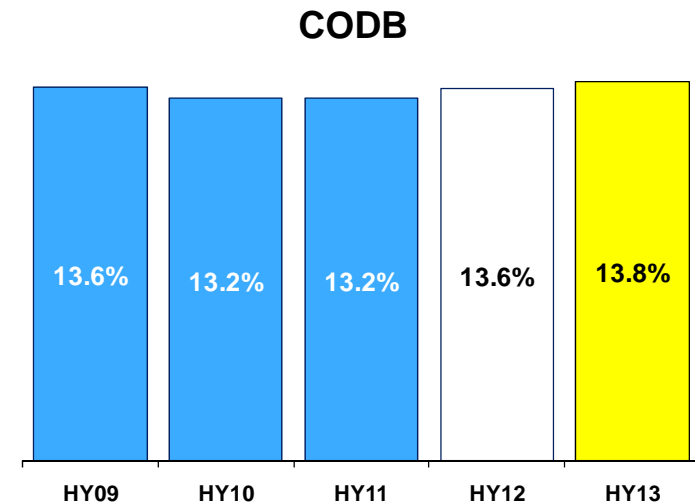
3. TRADING PERFORMANCE...



Cost of Doing Business (CODB) – Maintaining customer service

- Consolidated CODB was 13.8% (Aust: 13.8%, NZ: 13.9%).
- We continue to drive productivity improvements whilst maintaining a high level of customer service.
- In Australia, CODB increased by 27 bps to 13.8% as a result of both de-leveraging from lower comparable store sales and the impact of the +2.9% Fair Work Australia award increase on 1 July 2012 (total increase of +10.6%¹ over the last 3 years).
- In New Zealand, CODB decreased by 6 bps to 13.9% driven by improvements in productivity.

	CODB	
	HY12	HY13
Australia	13.6%	13.8%
New Zealand	13.9%	13.9%
Consolidated	13.6%	13.8%



¹ The Fair Work Australia award increases (effective from 1 July each year) over the last 3 years were +4.3% (2010), +3.4% (2011) and +2.9% (2012).

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3. TRADING PERFORMANCE...

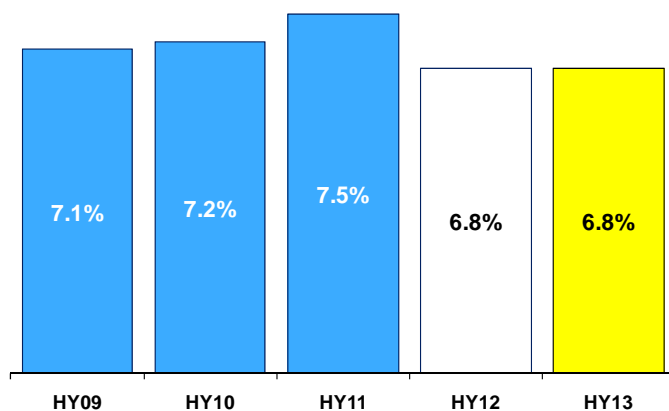


Earnings – Competitive trading environment

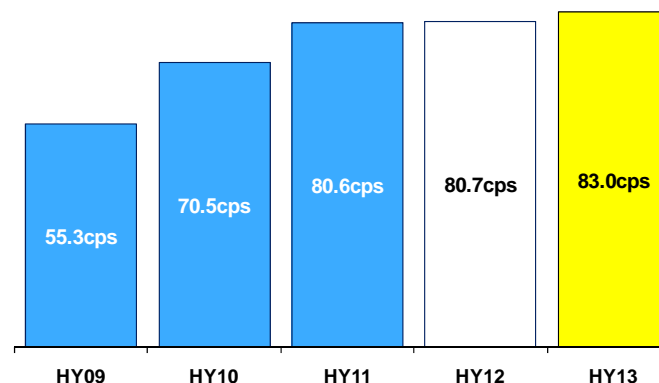
- In Australia, EBIT was up 2.2% to \$121.6m driven by improved gross margins over the pcp.
- In New Zealand, EBIT was up 17.2% to NZ\$2.6m driven by continued improvements in gross margins.
- Consolidated EBIT margin was 6.8%, in line with the pcp.
- EPS was up 2.9% to 83.0 cents per share.

	EBIT MARGIN	
	HY12	HY13
Australia (\$m)	119.0	121.6
- margin (%)	7.1%	7.1%
New Zealand (NZ\$m)	2.2	2.6
- margin (%)	1.8%	2.2%
Consolidated (\$m)	120.7	123.7
- margin (%)	6.8%	6.8%

EBIT Margin



EPS





3. TRADING PERFORMANCE...



Out of Store

- Our multi channel strategy continues to develop and has delivered some good results in HY13.
- Strategy is to give customers a choice on how they wish to shop with JB Hi-Fi.

➤ Online

- Online sales grew 40.3% on the pcp to \$37.2m or 2.0% of sales.
- Unique visitations grew 30.9% over the previous year¹ to an average of 1 million per week.

➤ Digital

- JB HI-FI NOW Music continues to grow steadily.
- NOW platform will provide longer term growth as it expands into other categories.

➤ Commercial and Insurance

- Sales increased by 44.2% in HY13.
- Continued to expand national footprint and gain market share.

Note: screen shot taken from the JB Hi-Fi website on 6 February 2013 (prices current as at that date).

¹ Rolling 12 months to 31 December 2012



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4. JB HI-FI HOME TRIAL



JB HI-FI HOME trial – Leveraging the power of the brand!

- On 28 November 2012, we announced the trial of the JB HI-FI HOME concept, with our four existing co-located JB Hi-Fi and Clive Anthonyms stores merging under the one new brand, JB HI-FI HOME.
- Early sales results have been encouraging, with good growth from appliance categories, and are currently ahead of internal expectations.
- The new concept appears to have been positively accepted by our customers, with no negative impact on the traditional JB Hi-Fi categories.
- Two previously flagged Queensland JB Hi-Fi stores are currently being converted to JB HI-FI HOME.
- We will continue to review and refine our offer over the next 6 months.



The screenshot shows the JB HI-FI HOME website interface. At the top, there's a navigation bar with categories like FRIGES & FREEZERS, WASHERS & DRYERS, COOKING, VACUUMS & FLOOR CLEANERS, DISHWASHERS, HEATING & COOLING, SMALL APPLIANCES, COFFEE MACHINES, and HOME ENTERTAINMENT. A search bar and user options (Login/Register, Stores/Contact Us) are also present.

Below the navigation, there are several promotional banners:

- TOP BRANDS IN MICROWAVES!**: LG 38 Litre Microwave Oven for \$178.
- HOT DEALS ON KETTLES!**: \$64.
- FREE DELIVERY LIMITED TIME ONLY**.
- COOK UP A FEAST!**: \$1549.

The **Featured Products** section displays:

- Tefal Fresh Express Mini Food Processor: \$188.
- Nespresso Delonghi U Coffee Machine (Black): \$249.
- Breville Fresca Espresso Coffee Machine: \$598.
- Sunbeam Water Filter & Chiller: \$189.
- Beko 14 Place Setting Dishwasher (White): \$499.
- Mitsubishi 455L Top Mount Fridge (White): \$898 (with 5 Year Warranty).
- LG 581L White Side By Side Fridge: \$1047.
- Panasonic 2.8kW Inverter Split System Air Conditioner: \$888.

At the bottom, there's a **Brands** section listing various manufacturers: BEKO, Breville, CREST, Electrolux, dishlex, dyson, EUROBRAND, FisherPaykel, ILVE, Kenwood, Kmix, LG, Philips, Sharp, Simpson, Smeg, Sunbeam, Tefal, Vinrec, VOLTA, and Westinghouse.

Note: screen shot taken from the JB HI-FI HOME website on 6 February 2013 (prices current as at that date).

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5. OUTLOOK



Trading Outlook:

- 2HY13 sales update:
 - total consolidated sales growth for the JB Hi-Fi branded stores in January 2013 was 11.7%; and
 - consolidated comparable store sales growth for the JB Hi-Fi branded stores in January 2013 was 4.2%.
- Gross margin in January 2013 has improved on the pcp.
- In the second half of FY12, we saw aggressive discounting across the market which, while driving sales, did impact gross margin. As we cycle this period we anticipate sales growth may be more challenging, but this should be offset by a relatively stable gross margin environment.
- The Company expects sales in FY13 to be circa \$3.25 billion and NPAT to be in the range of \$108.0m to \$112.0m. Our FY13 guidance is based on consolidated comparable store sales in FY13 of circa negative 3% and gross margin in line with the first half at 21.5%.



6. CASH FLOW AND BALANCE SHEET



Cash Flow Statement

AUDm	HY12	HY13
EBITDA	136.1	139.8
Change in Working Capital	107.5	(9.2)
Net Interest Paid	(7.2)	(4.9)
Income Tax Paid	(23.9)	(15.3)
Other	3.4	3.1
Net Cash Flow from Operations	215.9	113.5
Purchases of P&E	(29.8)	(23.1)
Net Cash Flow from Investing	(29.8)	(23.1)
Free Cash Flow¹	186.1	90.3
Borrowings / (Repayments)	(129.3)	(60.0)
Proceeds from issue of Equity	3.3	-
Dividends Paid	(28.6)	(15.8)
Net Cash Flow from Financing	(154.6)	(75.8)
Net Change in Cash Position	31.5	14.5
Effect of exchange rates	(0.1)	0.1
Cash at the end of Period	58.7	54.3

Working Capital

AUDm	Statutory HY12	Statutory HY13	Normalised HY13
(Increase)/decrease in current assets			
Inventory	(9.2)	(101.1)	(101.1)
Receivables	(67.8)	(55.0)	(55.0)
Other current assets	0.7	0.9	0.9
Increase/(decrease) in current liabilities			
Payables	184.1	144.6	244.6 ²
Other current liabilities	(0.2)	1.4	1.4
Net Movement in Working Capital	107.5	(9.2)	90.8²

Performance Indicators:	Statutory HY12	Statutory HY13	Normalised HY13
Inventory Turnover	6.7x	5.9x	5.9x
Creditor Days	51.8d	61.1d	57.0d ²
Fixed Charge Ratio ³	3.2x	3.1x	3.1x
Interest Cover	16.7x	22.8x	22.8x
Return on Equity	38.4%	32.4%	32.4%
Return on Invested Capital	47.9%	42.8%	42.8%

¹ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets.

² Normalisation adds back the impact of accounts payable timing differences, refer slide 15 for further details.

³ Rolling 12 months. On a normalised basis, the HY12 Fixed Charges ratio was 3.7x (excludes the Clive Anthonys one-off restructuring charge in March 2011).

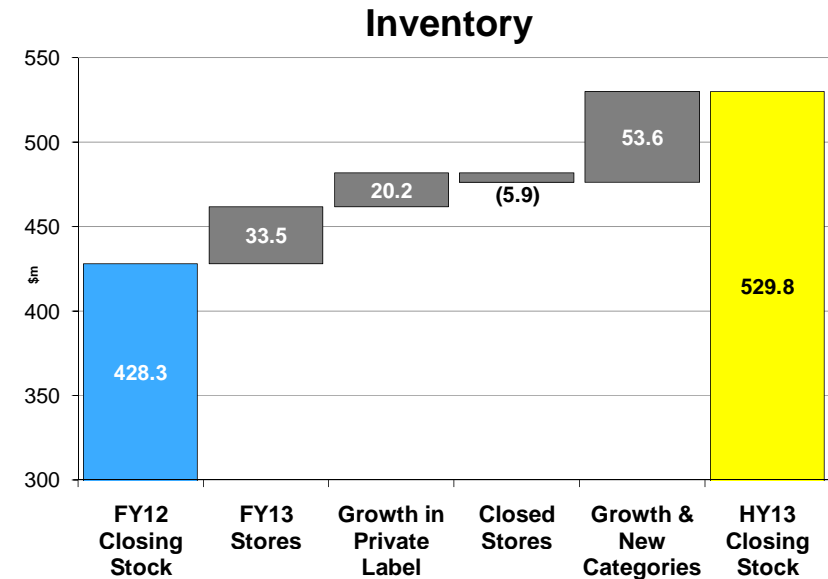


6. CASH FLOW AND BALANCE SHEET...



Working Capital & Performance Indicators

- Working capital was impacted by:
 - higher average inventory per store;
 - timing relating to creditor payments; and
 - mix of supplier rebates at the end of the period.
- Inventory Management:
 - while inventory levels are higher than the same time last year, they are in line with internal expectations;
 - during the period we invested \$33.5m in new stores and increased private label inventory by \$20.2m;
 - the underlying increase of \$73.8m¹ represents approximately 10 days' sales; and
 - inventory turnover was 5.9x (pcp: 6.7x) and like for like inventory turnover was 6.0x (pcp: 7.1x). Turnover was impacted by negative comparable sales and higher inventory at period end.
- Creditors:
 - as noted at our FY12 results release, as the end of FY12 fell on a weekend approximately \$82m of creditor payments due on 30 June 2012 were made in the HY13 period;
 - also during December 2012, approximately \$18m of early settlement payments were made; and
 - after allowing for these impacts, the normalised working capital movement in HY13 was +\$90.8m, broadly in line with the pcp.
- Receivables relate predominantly to supplier rebates which are in line with expectations and fluctuate based on contract terms.
- Our balance sheet remains strong despite the challenging trading environment.
- Financial and operating leverage remains low and is evidenced by solid fixed charges cover of 3.1x and interest cover of 22.8x.
- Our Return on Equity and Invested Capital remain strong.



¹ Represents \$53.6m growth in new and existing categories plus \$20.2m growth in private label.



6. CASH FLOW AND BALANCE SHEET...



Balance Sheet

AUDm	HY12	HY13	FY12
Cash	58.7	54.3	39.7
Receivables	125.7	113.6	58.4
Inventories	415.7	529.8	428.3
Other	8.0	6.8	7.7
Total Current Assets	608.2	704.4	534.1
Fixed Assets	183.2	188.1	182.0
Intangibles & Goodwill	78.5	79.0	78.8
Other	18.4	17.4	16.2
Total Non-Current Assets	280.1	284.4	277.1
Total Assets	888.3	988.9	811.2
Payables	484.8	545.7	400.8
Other	55.2	62.4	38.7
Total Current Liabilities	540.1	608.1	439.5
Borrowings	103.5	90.0	149.8
Other	37.6	37.5	37.4
Total Non-Current Liabilities	141.1	127.5	187.2
Total Liabilities	681.1	735.6	626.6
Net Assets	207.2	253.2	184.5
Net Debt / (Net Cash)	44.8	35.7	110.1

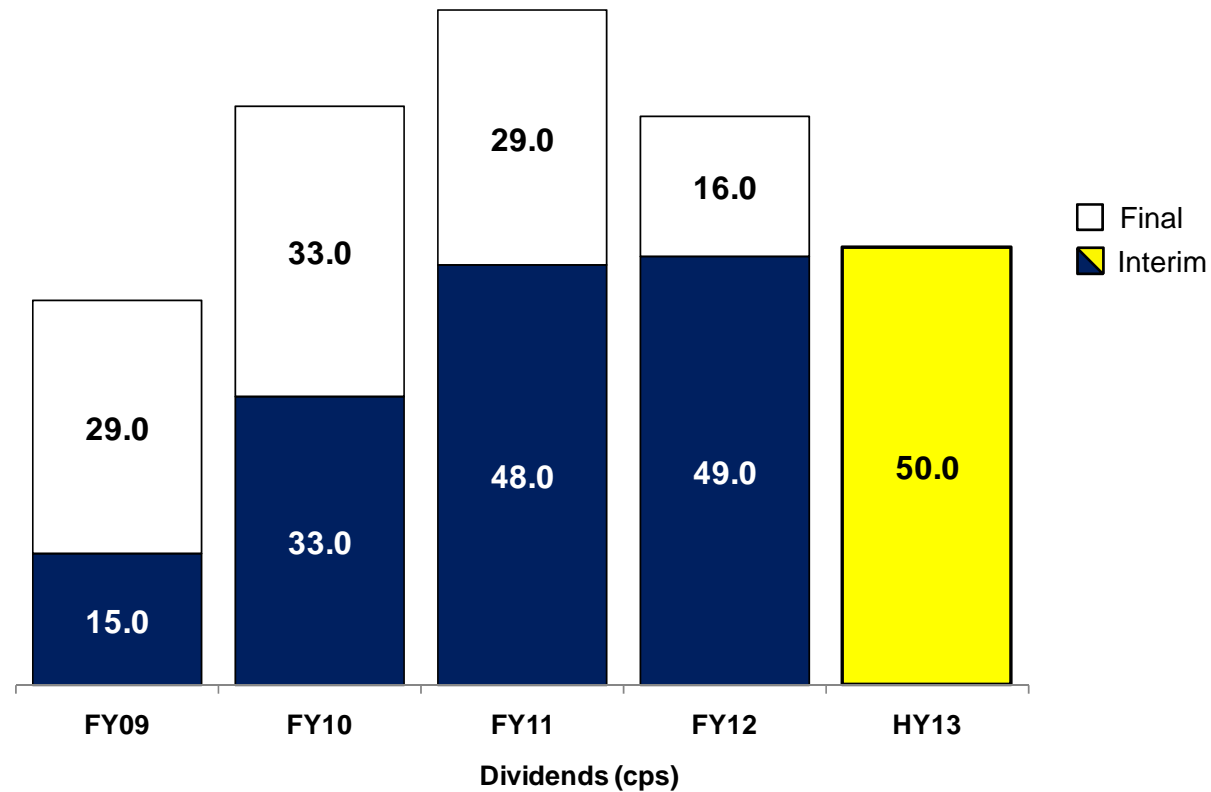


7. DIVIDENDS



Dividends

- The interim dividend is 50.0 cents per share fully franked, up 1.0 cps from the pcp.
- This represents a payout ratio of 60% of HY13 earnings which is in line with our dividend policy. The Board is confident that the group's strong cash flow generation will continue to support our payout ratio.





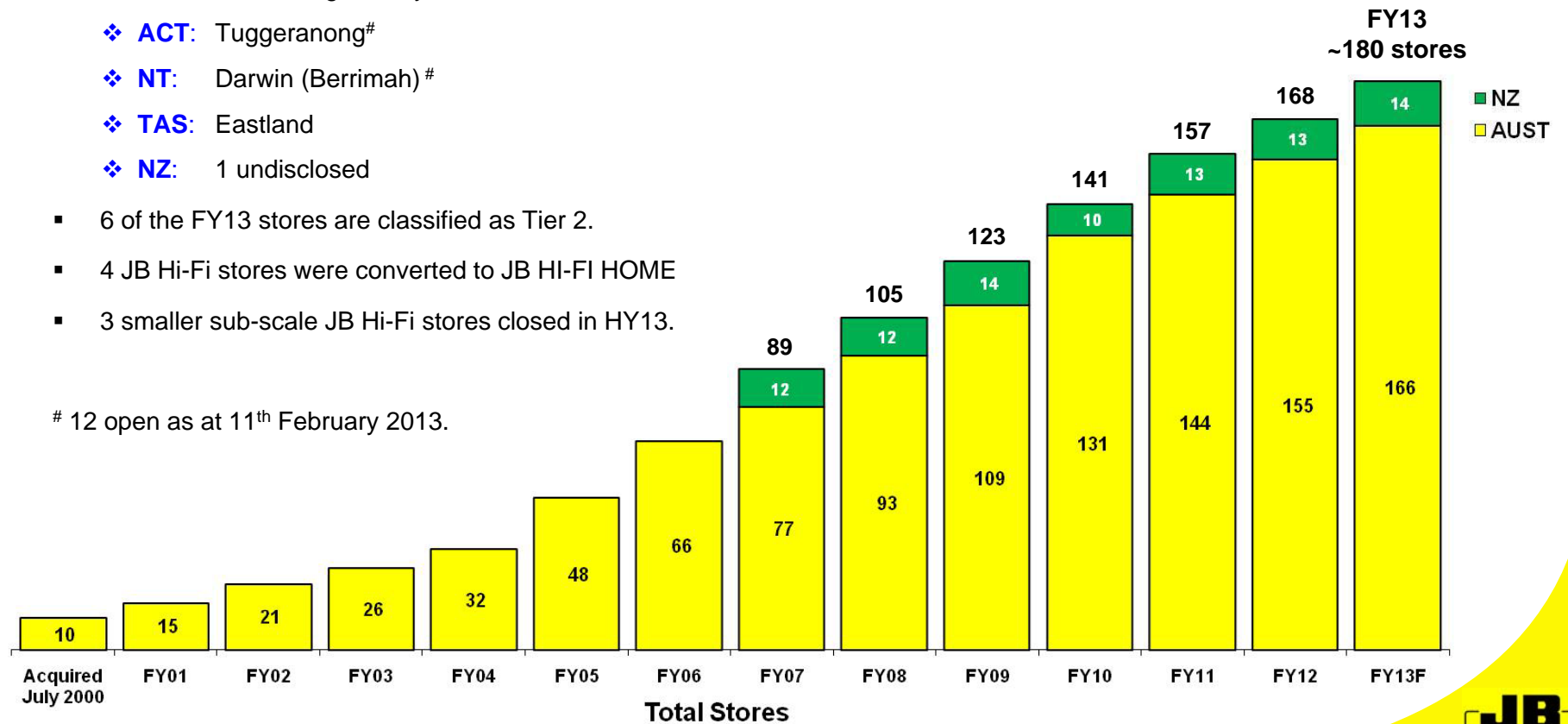
8. STORE UPDATE



11 JB Hi-Fi stores opened in HY13

- 15 JB Hi-Fi stores are to be opened in FY13 including:
 - ❖ **NSW:** Port Macquarie#, Coffs Harbour#, Tamworth#, Broadway#, Chatswood Chase#, North Sydney#
 - ❖ **VIC:** Fountain Gate#, The Glen#, Barkley Square
 - ❖ **QLD:** Bundaberg#, Oxley#
 - ❖ **ACT:** Tuggeranong#
 - ❖ **NT:** Darwin (Berrimah) #
 - ❖ **TAS:** Eastland
 - ❖ **NZ:** 1 undisclosed
- 6 of the FY13 stores are classified as Tier 2.
- 4 JB Hi-Fi stores were converted to JB HI-FI HOME
- 3 smaller sub-scale JB Hi-Fi stores closed in HY13.

12 open as at 11th February 2013.





9. INVESTMENT CHECKLIST



- ✓ Unique and relevant brand (a consumer destination).
- ✓ Low cost of doing business (scale advantages).
- ✓ Flexible business model – history of category growth and development.
- ✓ Diversity of product categories.
- ✓ New store, online and digital opportunities.
- ✓ Experienced management team.
- ✓ High return on invested capital.
- ✓ Shareholder return focused – through proactive capital management and dividend policies.



Appendix I

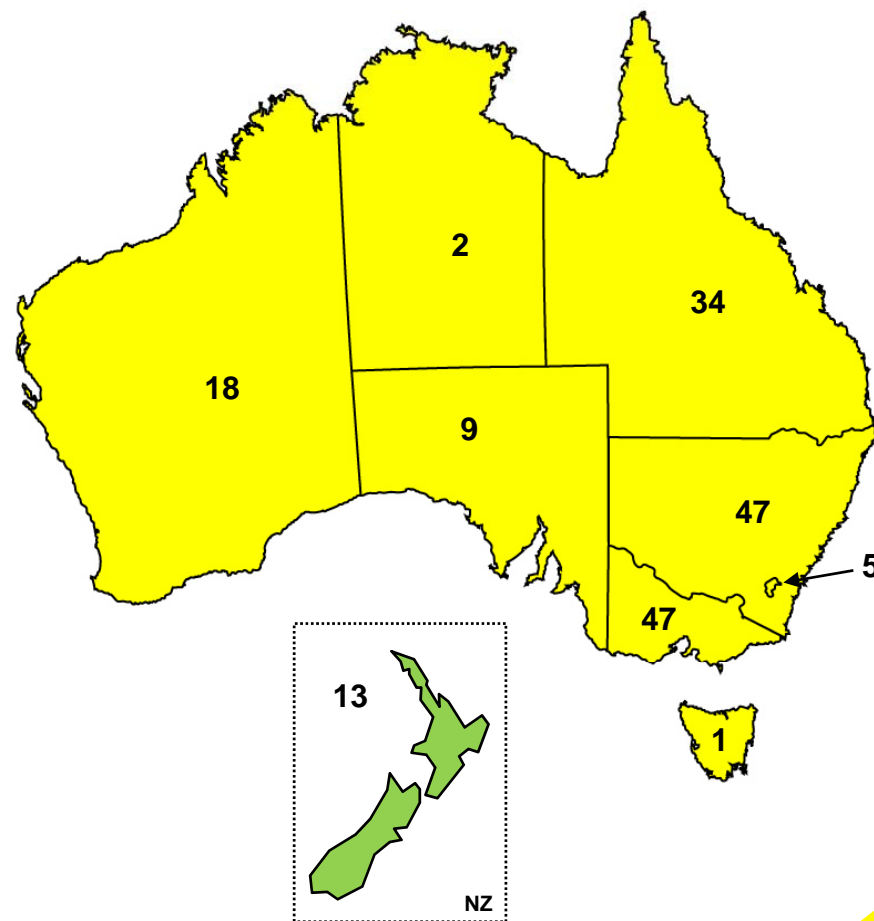


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Store movements during HY13

	FY12	HY13			Total
		Opened	Rebrand	Closed	
Australia					
JB HI-FI - Tier 1	135	7	(4)	-	138
JB HI-FI - Tier 2	18	4	-	(3)	19
JB HI-FI HOME	-	-	4	-	4
	153	11	-	(3)	161
Clive Anthonys	2	-	-	-	2
	155	11	-	(3)	163
New Zealand					
JB - Tier 1	9	-	-	-	9
JB - Tier 2	4	-	-	-	4
	13	-	-	-	13
TOTAL	168	11	-	(3)	176
JB Hi-Fi store type:					
Tier 1	144	7	(4)	-	147
Tier 2	22	4	-	(3)	23
HOME	-	-	4	-	4
	166	11	-	(3)	174
Store format:					
Shopping centres	83	7	-	-	90
Other	85	4	-	(3)	86
	168	11	-	(3)	176

Geographic breakdown#



as at 31 December 2012





Appendix II



a) EBIT reconciliation

AUDm	HY12	HY13
Profit for the year (App 4D)	79.6	82.1
<i>add back</i>		
- income tax expense (App 4D)	34.2	36.4
Profit before Tax	113.8	118.5
<i>add back</i>		
- interest received	(0.3)	(0.3)
- interest expense (App 4D)	7.2	5.4
- net interest expense	6.9	5.2
Earnings before interest and tax (EBIT)	120.7	123.7

b) NZ Profit and Loss statement (AUD)

AUDm	HY12	HY13
Sales	97.4	92.2
Gross Profit	16.2	15.8
Gross Margin	16.7%	17.1%
EBITDA	2.7	3.0
Depreciation & Amortisation	0.9	0.9
EBIT	1.7	2.0
EBIT Margin	1.8%	2.2%

c) Other items

- Net interest expense was down \$1.7m driven by a lower interest rate environment and strong cash flows.
- Effective tax rate was up 72 bps to 30.7%.

d) CODB reconciliation

AUDm	HY12	HY13
Other income (ex interest received)	(0.02)	(0.1)
Sales and marketing expenses (App 4D)	160.6	168.2
Occupancy expenses (App 4D)	64.0	68.5
<i>less depreciation & amortisation</i>	(11.7)	(12.8)
Administration expenses (App 4D)	14.6	14.1
<i>less depreciation & amortisation</i>	(3.7)	(3.4)
Other expenses (App 4D)	17.0	16.5
Cost of Doing Business (CODB)	240.9	251.1
Sales	1,774.7	1,816.2
CODB (% of sales)	13.6%	13.8%



Appendix III



Half Year Profit and Loss Statements (5 years)

AUDm	HY09	HY10	HY11	HY12	HY13
Sales	1,261.6	1,553.8	1,682.6	1,774.7	1,816.2
Gross Profit	269.5	327.8	362.5	377.0	390.9
Gross Margin	21.4%	21.1%	21.5%	21.2%	21.5%
EBITDA	97.9	122.6	140.3	136.1	139.8
Depreciation & Amortisation	8.7	11.2	13.3	15.4	16.1
EBIT	89.2	111.4	127.0	120.7	123.7
EBIT Margin	7.1%	7.2%	7.5%	6.8%	6.8%
Net Profit After Tax	59.0	76.0	87.9	79.6	82.1
Headline Statistics:					
Earnings per share (basic ¢)	55.3	70.5	80.6	80.7	83.0
Cost of doing business	13.6%	13.2%	13.2%	13.6%	13.8%
Stores at period end	119	137	153	165	176



Half Year Balance Sheets (5 years)

AUDm	HY09	HY10	HY11	HY12	HY13
Cash	90.8	127.4	180.0	58.7	54.3
Receivables	97.3	113.4	130.3	125.7	113.6
Inventories	300.3	373.3	388.1	415.7	529.8
Other	4.6	6.4	5.1	8.0	6.8
Total Current Assets	493.0	620.4	703.4	608.2	704.4
Fixed Assets	131.4	155.1	176.8	183.2	188.1
Brandname & Goodwill	81.8	82.8	83.0	78.5	79.0
Other	16.6	16.1	14.0	18.4	17.4
Total Non-Current Assets	229.8	254.0	273.8	280.1	284.4
Total Assets	722.8	874.4	977.3	888.3	988.9
Payables	377.0	447.0	507.4	484.8	545.7
Other	50.5	53.6	56.9	55.2	62.4
Total Current Liabilities	427.4	500.6	564.3	540.1	608.1
Borrowings	69.3	69.5	34.6	103.5	90.0
Other	17.3	20.5	25.6	37.6	37.5
Total Non-Current Liabilities	86.6	90.0	60.2	141.1	127.5
Total Liabilities	514.0	590.6	624.5	681.1	735.6
Net Assets	208.8	283.8	352.8	207.2	253.2



Half Year Cash Flow Statement (5 years)

AUDm	HY09	HY10	HY11	HY12	HY13
EBITDA	97.9	122.6	140.3	136.1	139.8
Change in Working Capital	108.5	73.6	97.7	107.5	(9.2)
Net Interest Paid	(4.4)	(2.7)	(2.1)	(7.2)	(4.9)
Income Tax Paid	(21.5)	(29.4)	(22.4)	(23.9)	(15.3)
Other	9.1	4.4	5.1	3.4	3.1
Net Cashflow from Operations	189.6	168.4	218.5	215.9	113.5
Purchases of P&E	(29.1)	(30.3)	(27.4)	(29.8)	(23.1)
Payments for intangible assets	-	(1.4)	-	-	-
Net Cashflow from Investing	(29.1)	(31.7)	(27.4)	(29.8)	(23.1)
Free Cash Flow¹	160.5	136.7	191.1	186.1	90.3
Borrowings / (Repayments)	(55.0)	(20.0)	(35.0)	(129.3)	(60.0)
Proceeds from issue of Equity	3.9	6.3	7.9	3.3	-
Dividends Paid	(17.1)	(31.3)	(35.9)	(28.6)	(15.8)
Net Cashflow from Financing	(68.2)	(45.1)	(63.0)	(154.6)	(75.8)
Net Change in Cash Position	92.3	91.6	128.1	31.5	14.5
Effect of exchange rates	-	-	0.2	(0.1)	0.1
Cash at the end of Period	90.8	127.4	180.0	58.7	54.3

¹ Free Cash Flow = Net Cash Flow from Operations less payments for store related assets (excludes investments).