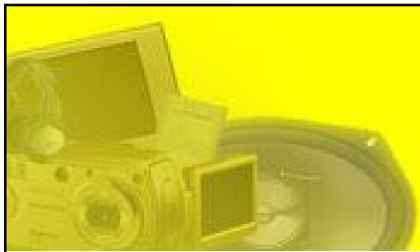
JB Hi-Fi Limited

Half Year Results Presentation – December 2008

10 February 2009



Agenda

1. Performance
2. Historical Performance
3. Trading Update
4. Financial Detail
5. Dividends
6. Debt
7. Store Update
8. Investment Checklist

Richard Uechtritz
CEO

Richard Murray
CFO

1. PERFORMANCE

Strong performance for 6 months to 31 December 2008

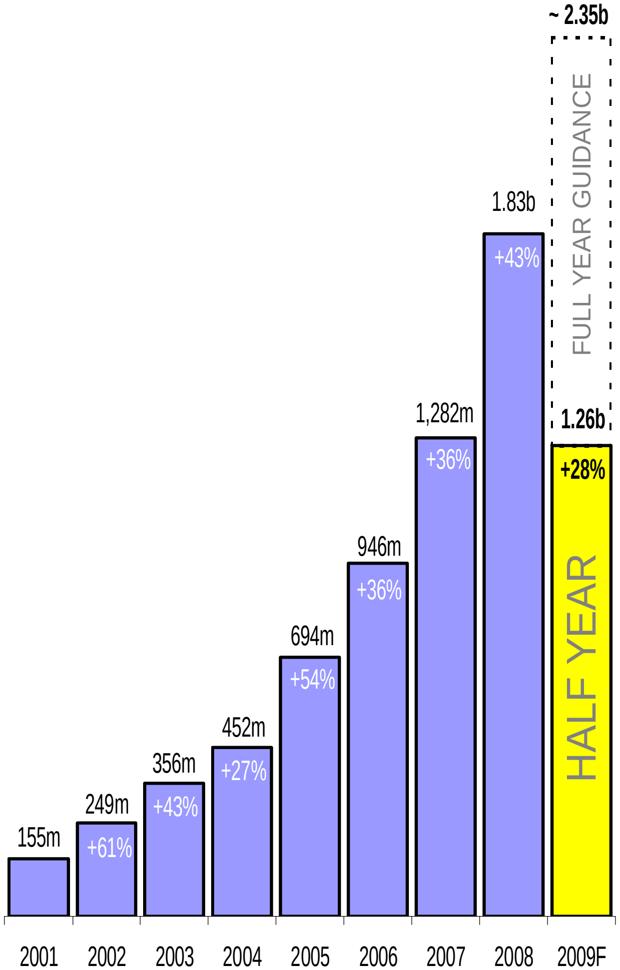
		HY09	HY08	
q	Sales	$1.26b	$988.5m	27.6% Û
q	Comparable store sales growth	11.1%	18.8%	
q	Gross Margin	21.4%	21.6%	-22 bps
q	Cost of Doing Business	13.4%	14.3%	-92 bps
q	EBIT Margin	7.3%	6.6%	+69 bps Û
q	NPAT	$59.0m	$41.9m	40.8% Û
q	Earnings per share	55.3 cps	40.0 cps	38.3% Û
q	Interim dividend - fully franked	15.0 cps *	10.0 cps	50.0% Û

* to be paid 10 March 2009 (record date 19 February 2009).

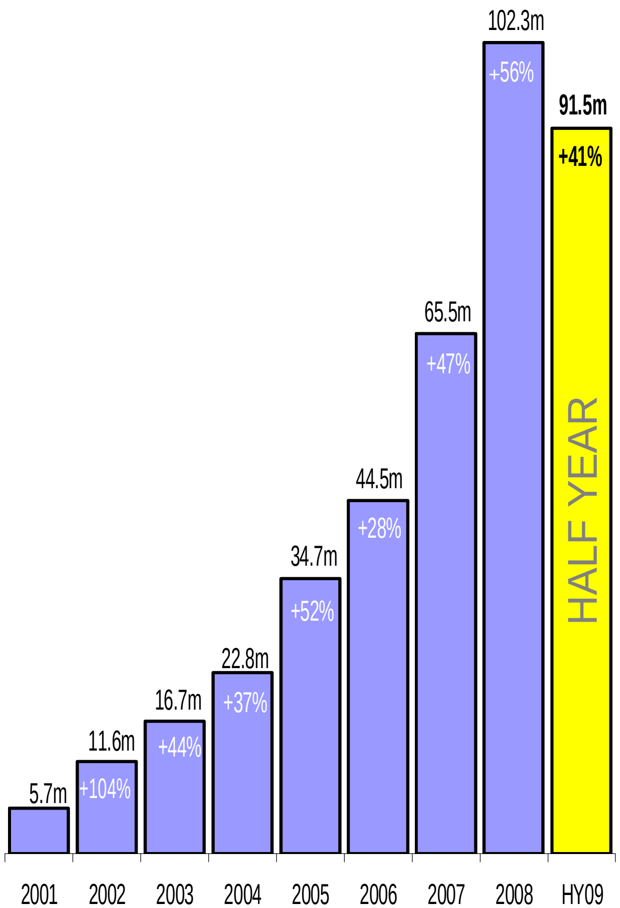
2. HISTORICAL PERFORMANCE

Strong growth in sales & earnings since MBI in July 2000

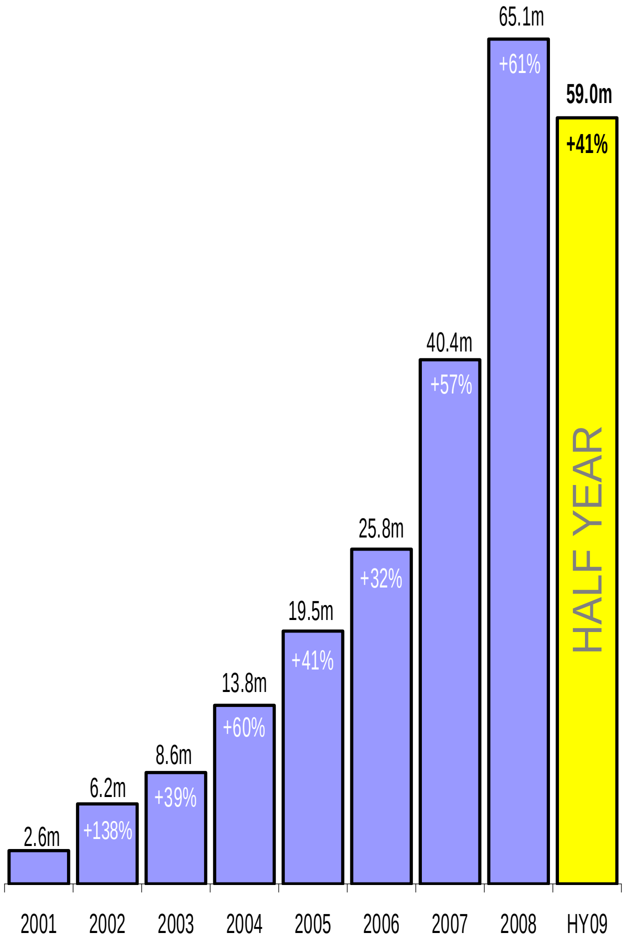
SALES +28%



EBIT +41%



NPAT +41%



3. TRADING UPDATE

Trading Performance

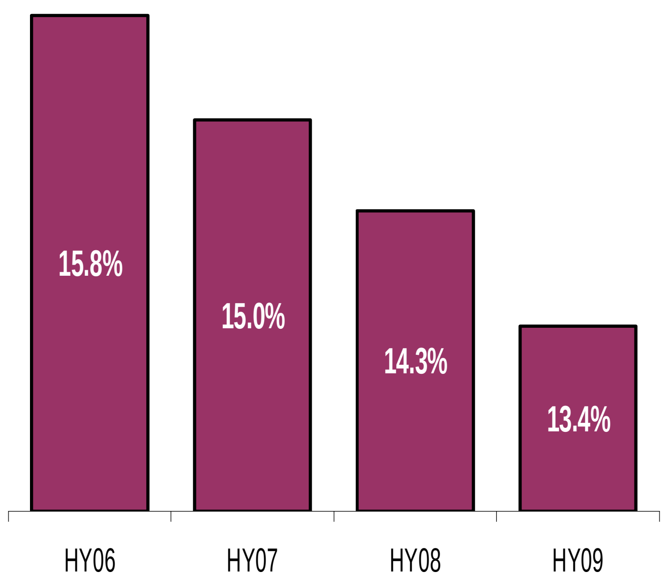
- Strong result – the company has traded well through what is considered to be the weakest economic climate for many years.
- Consolidated comparable store sales growth for HY09 was 11.1%.
- Reinforces the strength and resilience of our unique retail model.
- Home entertainment a more of a staple category as consumers keep up with technology.
- JB’s huge range and every day low price offering resonates with customers.
- Continue to grow our market share as recently opened stores mature, we open new stores, expand our product offering and reduce our prices on the back of increased economies of scale and a continued focus on costs.
- Games, Computers/IT and Visual continue to grow strongly.

3. TRADING UPDATE ….

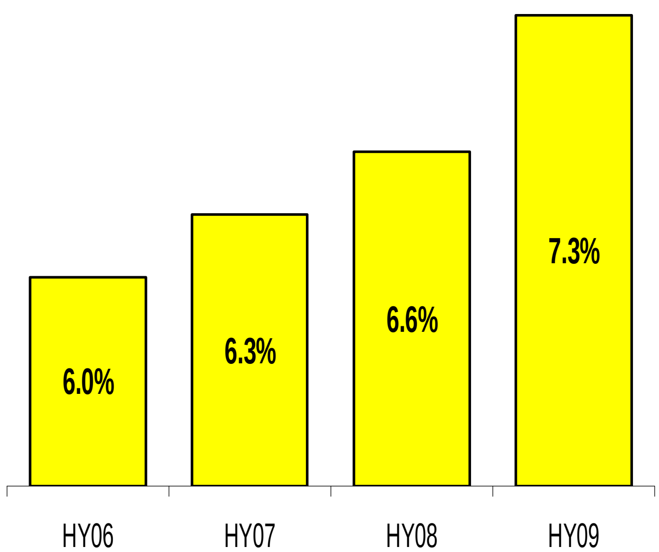
Financial Metrics

- Gross margin at 21.4% (pcp: 21.6%) was pleasing given the tough competitive environment, the growth of lower margin product categories of games and computers, the continued roll-out of JB Hi-Fi New Zealand and our investment in everyday low prices.
- Cost of doing business was down 92 bps to 13.4% (pcp: 14.3%), driven by our low cost culture, operating leverage, labour productivity and marketing economies of scale.
- Our lower cost of doing business (CODB) has allowed us to manage the impact of product mix on our gross margins, support our every day low pricing philosophy and improve our earnings margin.
- CODB reductions have been achieved whilst we have pursued an aggressive store rollout program, opening 65 new stores in the last 4 years.

Cost of doing business



EBIT Margin



3. TRADING UPDATE ....

New Stores

- Opened 11 new JB Hi-Fi stores (Aust: 9, NZ: 2) and 3 Clive Anthonys stores during HY09.
- 2 stores were relocated in Australia.
- Planning to open circa 7 stores across Australia and New Zealand in 2nd half FY09.
- 3 stores originally planned to open in FY09 now opening in July 09.

Australia

- Sales grew 27.0% to $1.2b with comparable store sales up 11.3%.
- Gross margin remained stable at 21.6% (down 20 bps) - pleasing given the growth of lower margin categories and a competitive market place.
- Cost of doing business down 93 bps to 13.2%.
- Sales in January and February to date have met internal expectations.
- Sales YTD for FY09 are up on internal budgets when allowing for delays in some new store openings.

New Zealand

- Sales grew 46.8% to NZ$80.8m with comparable store sales up 11.3% driven by the JB branded stores.
- Comparable store sales growth pleasing given the weak NZ economy and competitive market.
- Gross margin remained stable at 16.9% (down 1 bps).
- Cost of doing business down 104 bps to 17.5%.

3. TRADING UPDATE ....

Trading Outlook

- “Cautiously confident” of a solid 2nd half FY09 and another strong year.
- Games, Computers/IT, DVD and Telco should continue to drive comparable store sales.
- Confident of continued solid growth in most categories and market share gains in all.
- In New Zealand JB stores opened in FY08 and HY09 will contribute positively to earnings but we will remain subscale in our advertising and support office as we continue to invest in establishing the JB brand.
- Home entertainment sales have proven somewhat resilient to the current economic climate.
- Expect sales in FY09 of circa $2.35 billion or a 28% increase (FY08: $1.83b).
- Recent and potential interest rate cuts and the government stimulus package going forward should help consumer confidence.
- Weak retail climate should throw up expansion opportunities (e.g. sites from Crazy Clarks, Go-Lo, car sound sales from Strathfield closures).
- Plan to open 150 JB branded stores in Australia and New Zealand – at circa 13 -15 per year gives us 4 - 5 years of continued strong growth (current number of JB stores 101) before factoring in smaller regional centres and the expansion of Clive Anthony.

Industry

- Continues to consolidate – big getting bigger/stronger (JB Hi-Fi, HVN, Good Guys), other players struggling.
- Large retailers will come out of downturn in an even stronger position.
- All categories remain very competitive.
- Games, visual, navigation, computers and telco all have good growth forecasts.

4. FINANCIAL DETAIL

Profit and Loss Statement

$AUDm	AUST HY09	AUST HY08	AUST Growth	NZ HY09	CONSOLIDATED HY09	CONSOLIDATED HY08	CONSOLIDATED Growth
Sales	1,194.5	940.7	27.0%	67.0	**1,261.6**	**988.5**	**27.6%**
Gross Profit	258.1	205.2	25.8%	11.3	**269.5**	**213.3**	**26.3%**
Gross Margin	21.6%	21.8%	-20 bps	16.9%	21.4%	21.6%	-22 bps
EBITDA	100.6	72.4	39.0%	(0.4)	**100.2**	**71.6**	**39.9%**
Depreciation & Amortisation	8.0	6.5		0.7	8.7	6.8	
EBIT	92.6	65.9	40.4%	(1.1)	**91.5**	**64.8**	**41.1%**
EBIT Margin	7.8%	7.0%	+74 bps	(1.6%)	7.3%	6.6%	+69 bps
Net Profit After Tax					**59.0**	**41.9**	**40.8%**
Headline Statistics:							
Earnings per share (basic, cents)					55.3	40.0	38.3%
Cost of doing business	13.2%	14.1%	-93 bps	17.5%	13.4%	14.3%	-92 bps
Stores at period end	105	93 *	+12 stores	14	119	105 *	+14 stores

* As at 30 June 2008

4. FINANCIAL DETAIL....

Balance Sheet

$m	HY09	HY08	Movement	FY08
Cash	90.8	46.4	44.4	(1.5)
Receivables	97.3	82.2	15.1	53.0
Inventories	300.3	272.5	27.8	271.9
Other Current Assets	4.6	4.4	0.2	5.3
Total Current Assets	**493.0**	**405.5**	**87.5**	**328.7**
Fixed Assets	131.4	105.1	26.3	112.9
Brandname & Goodwill	81.8	81.2	0.6	81.2
Other Non-Current	16.6	10.3	6.3	11.5
Total Non-Current Assets	**229.8**	**196.6**	**33.3**	**205.6**
Total Assets	**722.8**	**602.1**	**120.8**	**534.3**
Payables	377.0	307.0	70.0	206.1
Other	50.5	32.9	17.5	31.8
Total Current Liabilities	**427.4**	**339.9**	**87.5**	**237.9**
Borrowings	69.3	102.4	(33.1)	123.0
Other Non-Current Liabilities	17.3	8.6	8.7	9.5
Total Non-Current Liabilities	**86.6**	**111.0**	**(24.4)**	**132.5**
Total Liabilities	**514.0**	**450.9**	**63.1**	**370.5**
Net Assets	**208.8**	**151.1**	**57.7**	**163.9**

4. FINANCIAL DETAIL….

Cashflow Statement

$m	HY09	HY08
EBITDA	**100.2**	**71.6**
Change in Working Capital	108.5	26.4
Net Interest Paid	(4.4)	(3.7)
Income Tax Paid	(21.5)	(14.0)
Other non cash items	6.8	1.3
Net Cashflow from Operations	**189.6**	**81.7**
Purchases of P&E	(29.1)	(31.9)
Investments	-	(7.5)
Net Cashflow from Investing	**(29.1)**	**(39.4)**
Borrowings / (Repayments)	(55.0)	(16.1)
Proceeds from issue of Equity	3.9	2.8
Dividends Paid	(17.1)	(6.3)
Net Cashflow from Financing	**(68.2)**	**(19.6)**
Net Change in Cash Position	92.3	22.7
Cash at the end of Period	**90.8**	**46.4**

4. FINANCIAL DETAIL….

Working capital and key ratios:

$m	HY09	HY08
(Increase)/decrease in current assets		
Inventory	(28.4)	(60.0)
Receivables	(44.3)	(33.5)
Other current assets	0.5	(0.8)
Increase/(decrease) in current liabilities		
Trade creditors	170.9	118.5
Other current liabilities	9.8	2.3
Net Movement in Working Capital	**108.5**	**26.4**

Performance Indicators:

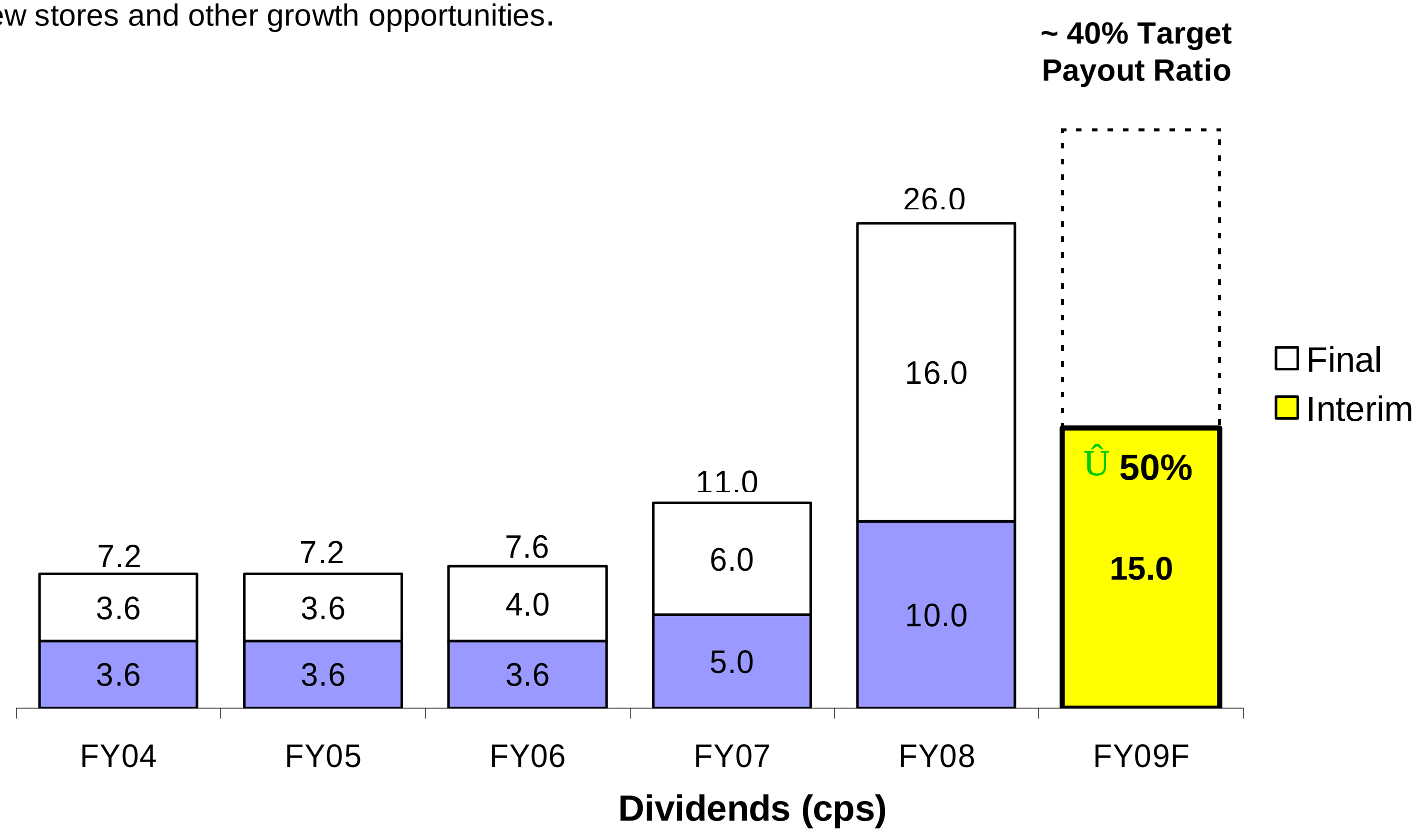
Stock Turnover	6.9	6.4
Creditors Days	54.1	58.4
Fixed Charge Ratio*	3.7	3.4
Interest Cover (times)	19.1	15.4
Return on Equity	28.3%	27.8%
Return on Invested Capital	48.7%	31.3%

* based on rolling 12 month data

- Working capital is an ongoing focus of management and is in-line with current expectations.
- Inventory Management:
  - Inventory management remains a constant focus, like for like inventory levels decreased, with new store inventory adding $37.8m.
  - This is pleasing given the continued investment in telco inventory.
  - Inventory turnover has improved to 6.9 times (HY08: 6.4 times).
  - Like for like inventory turnover was 7.2 times (HY08: 6.4 times).
- Receivables relate predominately to supplier rebates.
- Creditors days were down slightly in-line with expectations driven by supplier mix.
- Fixed charges ratio at 3.7 times, coupled with high interest cover is a good indication of JB's balance sheet strength and our low financial and operational leverage.
- ROI increase driven by strong earnings and negative net debt.

5. DIVIDENDS

- The half year dividend has been increased 50% to 15.0 cents per share fully franked.
- The Board is targeting a full year payout ratio of circa 40%.
- The board is confident that continuing strong cashflows from existing stores and overall market growth will support the target payout ratio while continuing to invest in new stores and other growth opportunities.



6. DEBT

- In December 2008 the company renewed its $145m of existing senior term debt facilities for another three years.
- The company has a further working capital facility, which includes a base $63m facility and an additional seasonal facility of $25m available between February to April each year.
- At the half year JB had undrawn facilities of $138 million and net cash of $20.8 million.
- While the effective margin on the new facility is approximately 130 to 145 basis points more expensive, the increased margin has been offset by the reductions in base market interest rates.
- JB is pleased to welcome NAB to its syndicate, joining its existing banks Westpac and ANZ. JB is pleased with the increased flexibility that will be provided by relationships with three of Australia's leading domestic banks.

7. STORE UPDATE

14 new stores opened in HY09

Ø **21 new stores to open in FY09 (14 opened in HY09)**

§ 18 JB Hi-Fi stores:

- **WA**: Malaga*, Cockburn*, Cannington*, Joondalup*, Perth City*, Claremont, Perth CBD, Rockingham
- **NSW**: Tweed Heads*, Albury
- **QLD**: Morayfield*, Cairns*, Rockhampton, Gold Coast
- **SA**: Gepps Cross
- **ACT**: DFO Fyshwick*
- **NEW ZEALAND**: St Lukes* and Wellington*

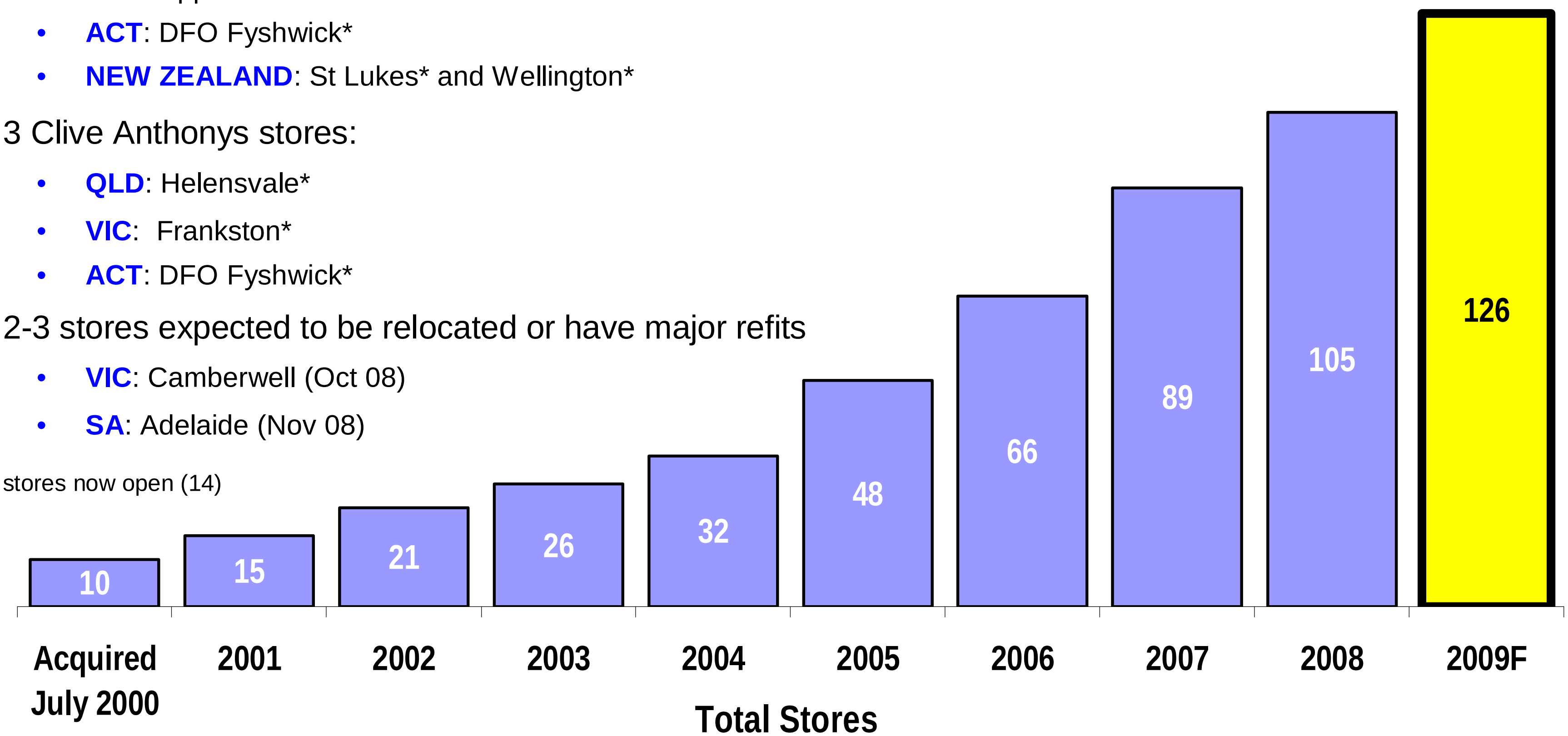
§ 3 Clive Anthonys stores:

- **QLD**: Helensvale*
- **VIC**: Frankston*
- **ACT**: DFO Fyshwick*

§ 2-3 stores expected to be relocated or have major refits

- **VIC**: Camberwell (Oct 08)
- **SA**: Adelaide (Nov 08)

* stores now open (14)



8. INVESTMENT CHECKLIST

- Strong and unique retail model.
- Operates mainly in high growth home entertainment and technology sector.
- Low cost of doing business – best of listed retailers.
- Many new store opportunities
  - JB circa 150 in Australia and New Zealand (101 end HY09)
  - CA substantial growth potential
- Good growth potential from computer and mobile consumer electronics (telco) categories.
- Size and continued high growth gives us great buying power and advertising synergies.
- Low capital investment and high return on invested capital.
- Low gearing and renewed debt facility.
- Strength and depth of management.

APPENDIX I

Store movements during HY09

	FY08	HY09 Opened	HY09 Closed	HY09 Total
AUSTRALIA				
JB Hi-Fi	**85**	9	-	**94**
Clive Anthonys	**8**	3	-	**11**
	93	12	-	**105**
NEW ZEALAND				
JB Hi-Fi	**5**	2	-	**7**
Hill & Stewart	**7**	-	-	**7**
	12	2	-	**14**
	105	14	-	**119**
Store Format:				
Shopping centres	**51**	5	-	**56**
Other	**54**	9	-	**63**
	105	14	-	**119**

Geographic breakdown