



JB Hi-Fi Limited

Half Year Results Presentation – December 2005

15 February 2006



AGENDA

- 1. Performance**
- 2. Trading Update**
- 3. Financial Detail**
- 4. New Stores**
- 5. Investment Scorecard**

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1. PERFORMANCE

Strong performance for 6 months to 31 December 2005:

Growth against previous corresponding period:

• Sales	\$509.8m	35.5% \hat{U}
• Comparable store sales growth (JB Stores: 7.1%, CA Stores: -5.0%)	5.3%	
• EBIT	\$31.1m	26.2% \hat{U}
• NPAT	\$18.8m	28.5% \hat{U}
• Return on invested capital	30%	+ 5% \hat{U}

Interim fully franked dividend of 3.6 cents per share declared, to be paid 13 April 2006 (record date 31 March 2006).

Note: Current and previous year figures adjusted for IFRS.

2. TRADING UPDATE

- Strong growth in most categories - in particular Slim-line TV, Games & Portable Audio.
- Solid Christmas & post Christmas sales.
- Due to overall growth of gift categories as a % of business, ie CD, DVD, Games, Portable Audio and Camera's, JB sales growth will have a bias to first half
- Since Christmas, consumers have returned to previous spending habit of 2005 with slower discretionary spending.
- 1st half comparative store growth was 7.1% for JB stores and -5.0% for CA stores (5.3% consolidated)
- Move into Games very successful, already major player.
 - X Box 360 launch in March will help growth category
 - Play Station 3 later in year
- Gross margin was stable after adjusting for impact of games (new category).
- Opex as % of sales at 15.8% (PCP 15.7%) – pleasing result because of extra costs associated with new stores.
- Opened 12 new JB Hi-Fi stores in first half which are all trading well.
- Planning to open 6 new JB Hi-Fi stores in 2nd half.
- Competitive climate continues to drive industry rationalisation
 - Megamart closure and Clive Peeters/Rick Hart merger
 - Continued closure of smaller electrical stores eg Betta and Retravisation members
 - Bigger players growing market share eg Harvey Norman, Dick Smith, Good Guys, JB Hi-Fi
- Clive Anthonys traded well in December and January with air conditioners and computers strong.
- Expect the Commonwealth Games, Winter Olympics and Soccer World Cup to help our biggest category – TV.

3. FINANCIAL DETAIL

Profit and Loss Statement:

\$m	1H 06	1H 05	Growth
Sales	509.8	376.2	35.5%
Comparative Store Sales Growth	5.3%	10.3%	
Gross Profit	114.8	85.7	33.9%
Gross Margin	22.5%	22.8%	- 0.3%
EBITDA	34.7	27.1	28.1%
Depreciation & Amortisation	3.6	2.5	
EBIT	31.1	24.6	26.2%
EBIT Margin	6.1%	6.5%	- 0.4%
Net Profit After Tax (net of OEI)	18.8	14.6	28.5%
Headline Statistics:			
Earnings per share (basic, cents)	0.18	0.14	+ 28.0%
Stores at period end	60	44	+ 16
OPEX (ex. depn & amort) as % of sales	15.8%	15.7%	+ 0.1%

Balance Sheet:

\$m	1H 06	1H 05	Movement
Cash	45.5	32.1	13.5
Receivables	44.0	23.9	20.1
Inventories	160.1	128.5	31.5
Other Current Assets	2.0	1.8	0.3
Total Current Assets	251.6	186.2	65.4
Fixed Assets	50.6	30.8	19.8
Brandname & Goodwill	66.7	66.6	0.1
Other Non-Current	4.7	3.6	1.1
Total Non-Current Assets	121.9	101.0	20.9
Total Assets	373.5	287.2	86.3
Payables	198.7	137.6	61.1
Interest Bearing Liabilities	0.2	3.3	(3.1)
Other	14.3	10.9	3.4
Total Current Liabilities	213.2	151.8	61.5
Interest Bearing Liabilities	75.8	71.7	4.1
Other Non-Current Liabilities	5.8	3.4	2.4
Total Non-Current Liabilities	81.6	75.1	6.6
Total Liabilities	294.9	226.8	68.0
Net Assets (net of OEI)	74.3	57.0	17.2

Cashflow Statement:

\$m	1H 06	1H 05
EBITDA	34.7	27.1
Change in Working Capital	40.1	(0.7)
Interest Paid	(2.5)	(2.2)
Income Tax Paid	(6.2)	(5.4)
Net Cashflow from Operations	66.1	18.8
Purchases of F,F & E	(16.8)	(8.3)
Payments for Intangibles & Invest.	-	(22.1)
Net Cashflow from Investing	(16.8)	(30.5)
Net Borrowings	(1.9)	31.0
Proceeds from issue of equity	0.2	0.1
Dividends Paid	(3.7)	(3.7)
Net Cashflow from Financing	(5.4)	27.4
Net Change in Cash Position	43.9	15.6
Cash at the end of Period	45.5	32.1

Continued proactive management of working capital position:

\$m	1H 06	1H 05
(Increase)/Decrease in current assets		
Inventory	(57.9)	(49.2)
Receivables	(24.1)	(9.3)
Other Current Assets	0.6	1.5
Increase/(Decrease) in current liabilities		
Trade creditors	120.6	56.5
Other current liabilities	1.0	(0.2)
Net Movement in Working Capital	40.1	(0.7)

- New stores resulted in a \$32.4m increase in inventory. Seasonal increase due to Christmas \$31m. Average inventory per store down, reflecting tighter inventory management, resulting in a \$6m decrease in total inventory from pcp.
- Trade creditors relatively high due to increased focus on timing of deliveries for Christmas and new year trade.
- Stock and creditors turnover consistent with pcp.

Performance Indicators:

JB Hi-Fi's balance sheet remains strong, and the group is well positioned for growth.

	1H 06	1H 05
Stock Turnover	6.0	5.8
Creditors Days	64	65
Fixed Charge Ratio	3.7	4.0
Interest Cover (times)	10.2	9.6
Return on Equity	25%	26%
Return on Invested Capital	30%	25%

IFRS Impact:

\$'000	1H 06	1H 05	Movement
IFRS NPAT	18,818	14,640	28.5%
Share Based Payments	402	245	
Straightline Rent	262	152	
Inventory	103	812	
Other	(138)	(77)	
Pre-tax IFRS Impact	<u>629</u>	<u>1,132</u>	
Tax & OEI	42	388	
Post-tax AGAAP NPAT	<u>19,405</u>	<u>15,384</u>	<u>26.1%</u>

Going forward share based payments and straight-line rent will be the influences on profit.

4. NEW STORES

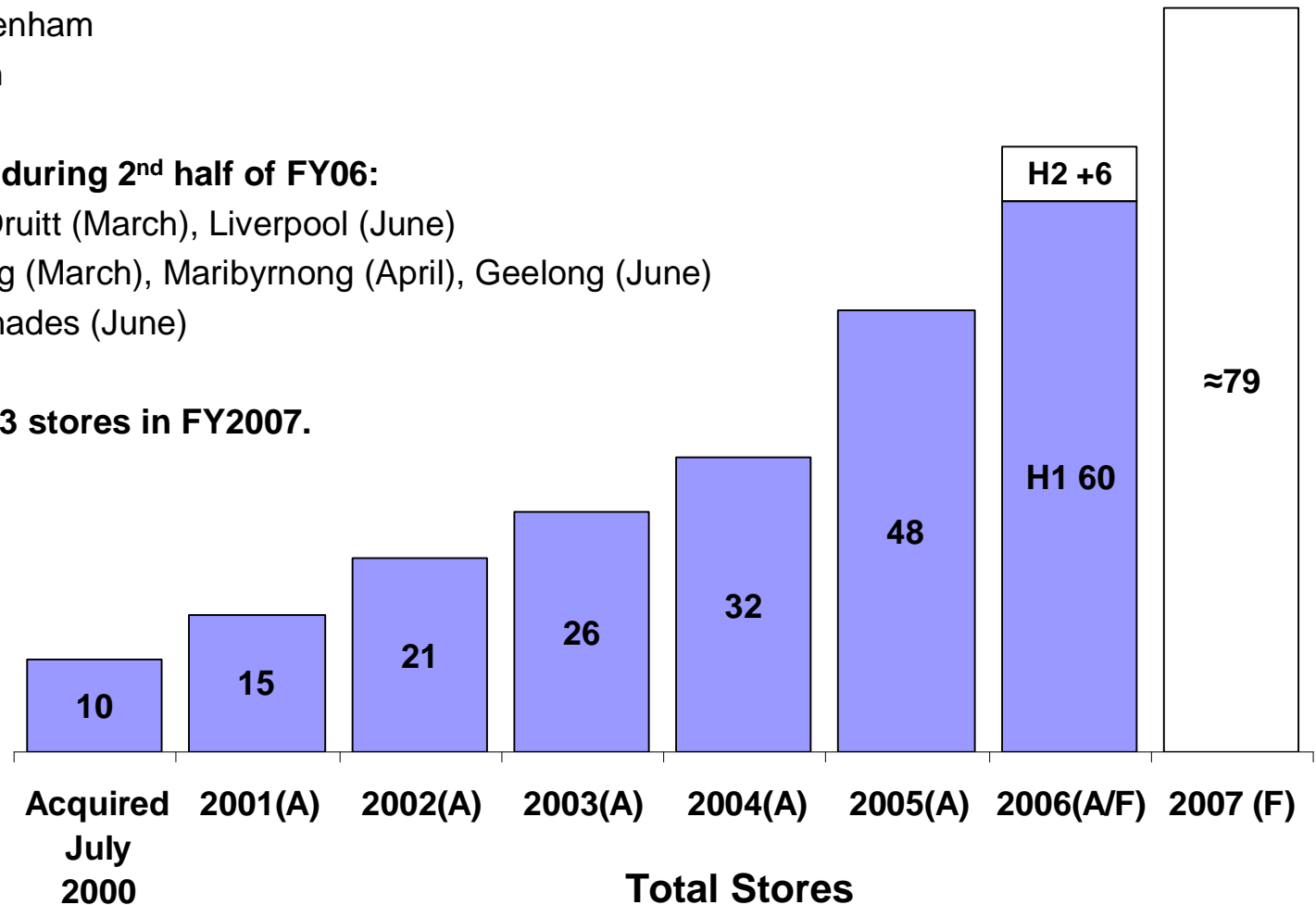
12 JB stores opened during 1st half of FY06:

- NSW: Tuggerah, Miranda, Chatswood, Castle Hill, Brookvale, Campbelltown, Penrith, Hornsby
- QLD: Robina, Loganholme
- VIC: Cheltenham
- NT: Darwin

6 JB stores to open during 2nd half of FY06:

- NSW: Mt Druitt (March), Liverpool (June)
- VIC: Epping (March), Maribyrnong (April), Geelong (June)
- SA: Colonnades (June)

Expecting approx. 13 stores in FY2007.



5. INVESTMENT SCORECARD

Strong growth, profitability & sustainable competitive advantage:

Growth factors:

- Continued focused exposure to growth home entertainment product market
- Recently opened stores continue to mature strongly
- JB new store roll-out continues, with plenty of site opportunities
- Clive Anthonys provides exposure to different markets and demographics

Profitability underpinned by:

- Low opex. as % of sales at 15.8% (ex. depreciation)
- High stock turns at 6 times
- Low capital investment and high return on invested capital
- Buying power increasing as we grow

Sustainable competitive advantage:

- Low cost and large scale operations
 - Discount positioning provides some protection from the volatile retail economic cycle
 - Distinctive branding and prominent retail locations
 - Continued ability to attract and retain good staff
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