



# JB Hi-Fi Limited

## Macquarie Conference

May 2006

**Richard Uechtritz**  
**Chief Executive Officer**

**Terry Smart**  
**Chief Operating Officer**





# Agenda



- Ø Introduction to JB RU
- Ø Trading Update RU
- Ø JB moves into Computer market RU
- Ø Using technology to increase sales & lower costs TS



# JB Hi-Fi Overview



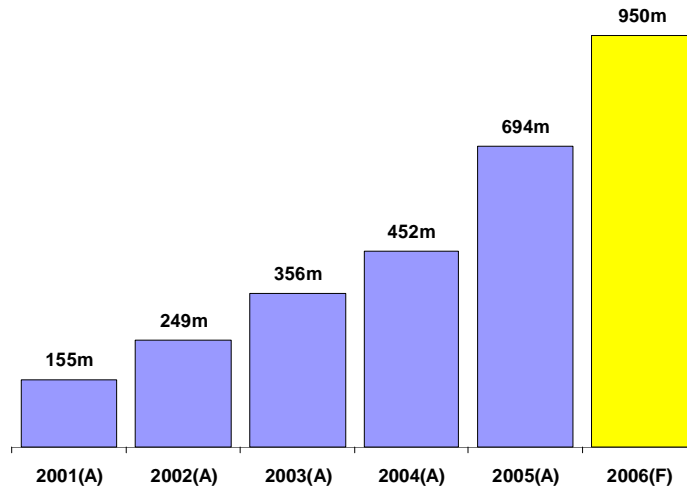
- ∅ Large format category killer discount retailer specialising in home entertainment
  
- ∅ Product categories
  - Visual
  - Audio
  - Camera's
  - Car Sound
  - Accessories
  - CD's
  - DVD's
  - Games



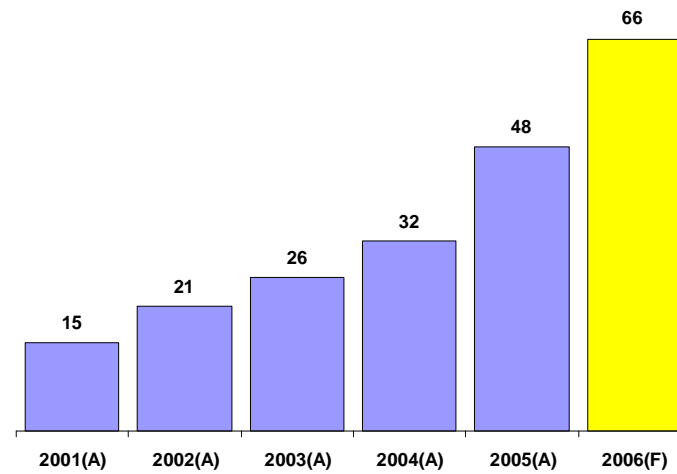
# Track Record of Growth



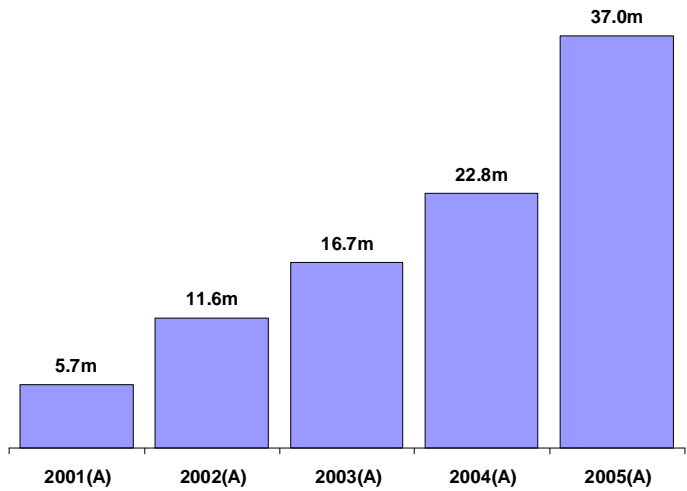
Ø Strong growth in sales, earnings and stores since MBI in July 2000



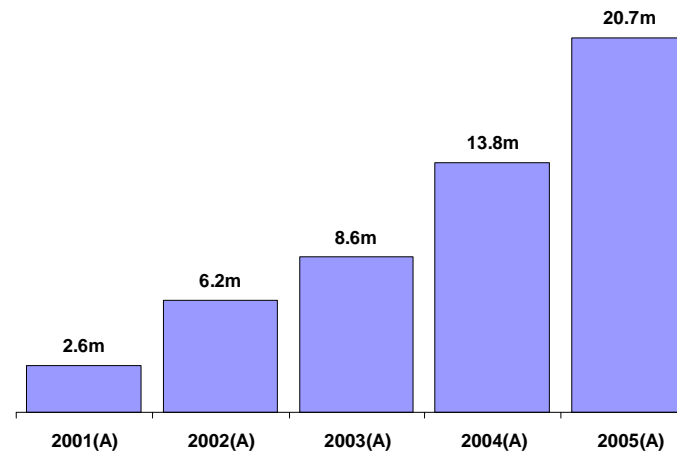
Sales



Stores



EBIT



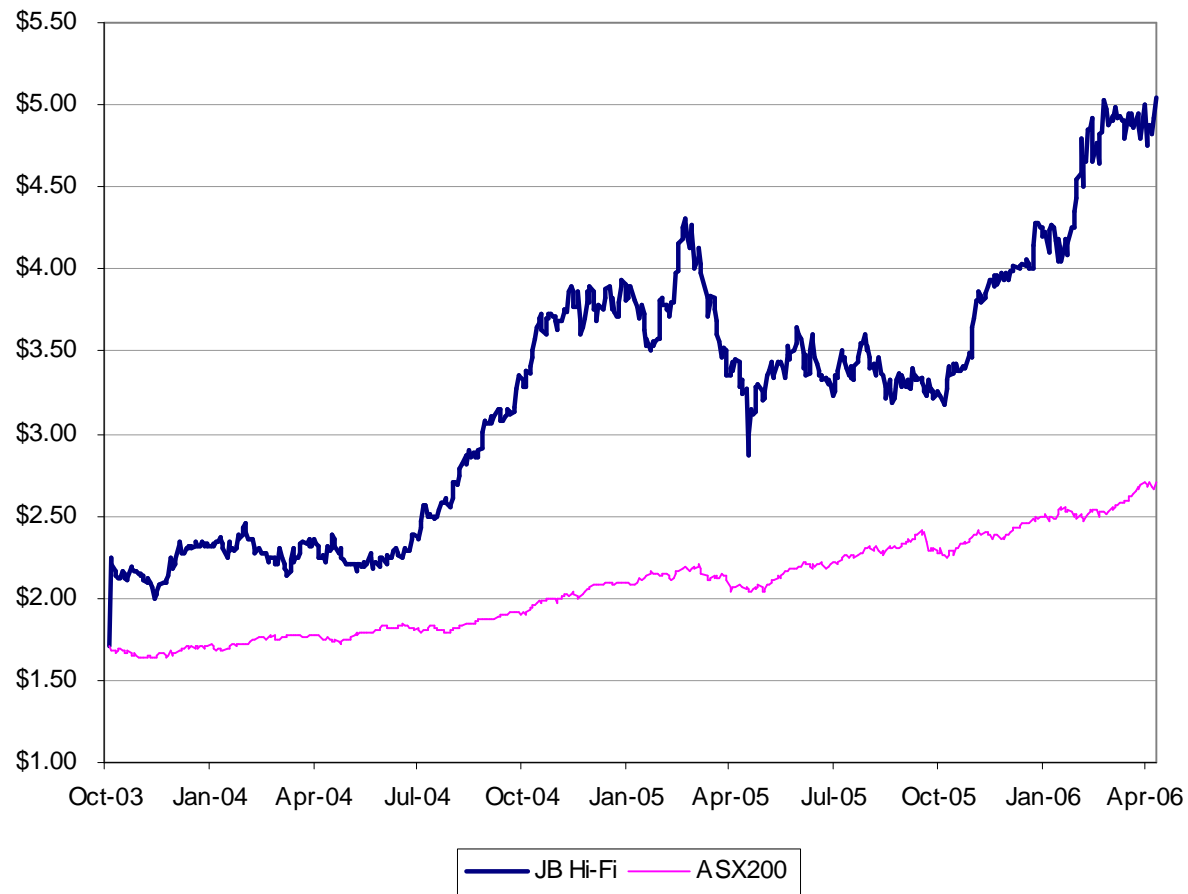
NPAT



# Track Record of Growth



∅ Share price up 300% since listing



- IPO Share Price – Retail offer \$1.55, Institutional offer \$1.80, blended opening IPO share price \$1.70
- Share price performance based on close of trade 27 April 2006



# Trading Update



- Ø Trading to expectations, consumer confidence seems to be picking up a little.
- Ø Visual strong, household penetration about 9% with many years of good visual sales still ahead.

	2003	2004	2005	CAGR
Number of households (Millions)	7.58	7.67	7.76	1%
Number of LCD	22,525	64,987	202,573	200%
Number of Plasma	29,177	123,533	235,514	184%
Penetration rate LCD	0.3%	1.1%	3.7%	
Penetration rate Plasma	0.4%	2.0%	5.0%	

- Ø X-Box launch strong and together with PSP3 launch in Nov should mean strong Xmas for games and good growth for immediate future in this category.
- Ø Expect sales of approximately \$950m for FY06
- Ø Comp store growth April YTD – JB 7.3%, CA -3.1%, Consolidated 5.8%
- Ø 6 New stores opened since Dec 2005, total of 18 new stores to be opened in FY06:
  - Mt Druitt, Sydney, Epping and Maribyrnong, Melbourne opened March
  - Colonnades to open early June
  - Liverpool to open early June
  - Geelong to open late June
- Ø 66\* stores at end of FY06
- Ø Expecting approximately 13 new stores for FY07

\* Including Clive Anthonys



# JB ENTERS COMPUTER MARKET

Richard Uechtritz, CEO





# Why Computers/IT?

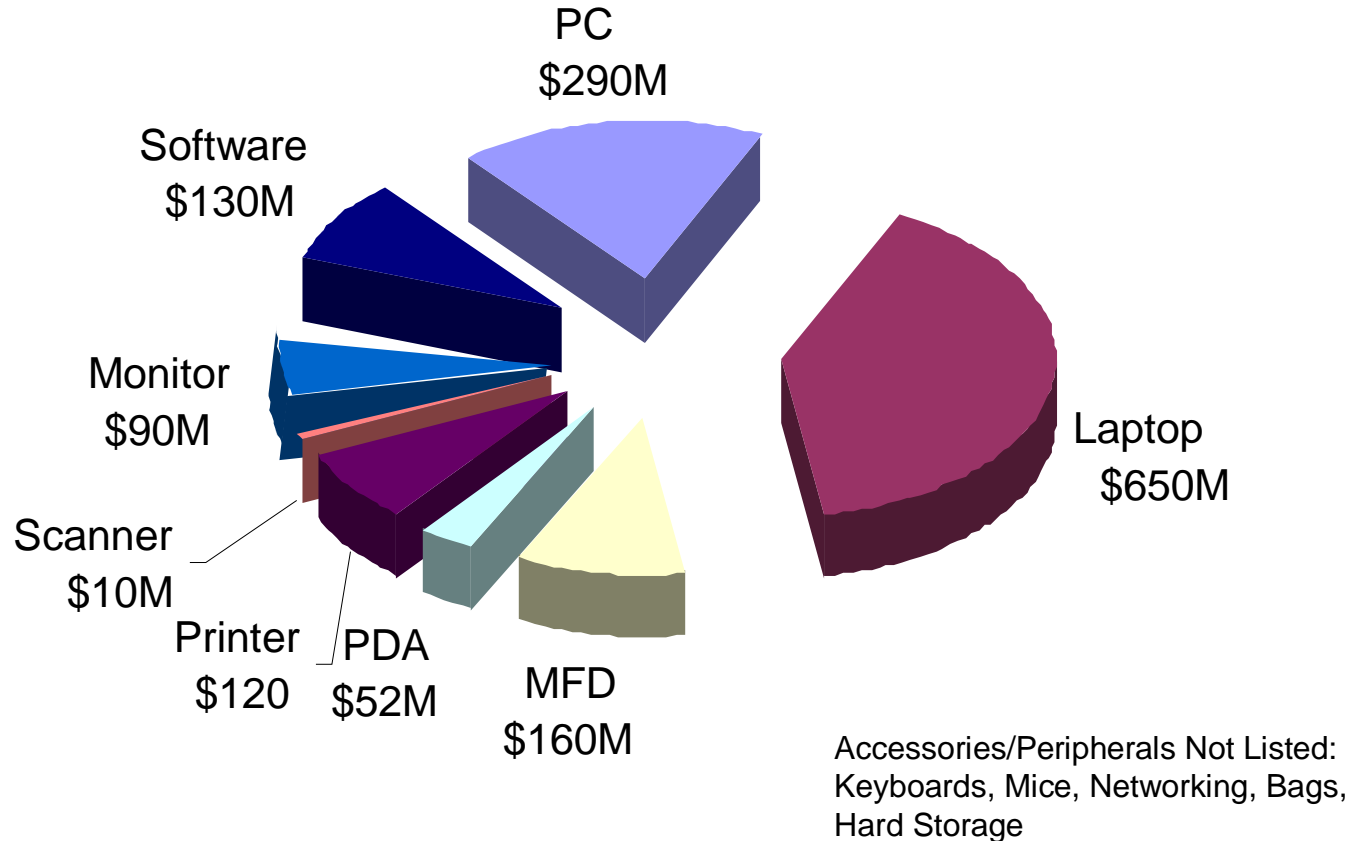


- Ø Large market \$1.5 billion +
- Ø Growing fast – 2006 20%+
- Ø Should continue to grow for number of years
- Ø Linking more and more to other JB categories i.e. television, portable audio, digital cameras, media etc.
- Ø Suits JB customer base – young, mobile, tech savvy
- Ø JB has store traffic (via software) to drive sales
- Ø Suits JB's increasing presence in shopping centres, i.e. computers are less destinational as they become more and more a mass consumer product - more knowledgeable consumers and user friendly products. Big W now one of largest laptop retailers from floor bulk stacks
- Ø JB discount positioning and specialist sales people will ensure competitiveness with incumbents i.e. HVN

# Industry Overview



Ø \$1.5B+ computer market



Source: GFK Dec 2005



# Competitors



## ∅ Competitive Landscape

- Harvey Norman – market leader ~30%+ of market
- Dick Smith
- Officeworks
- Computer Specialists
- Electrical Retailers
- Mass Merchants



# JB Hi-Fi Limited

USING TECHNOLOGY TO LOWER  
COSTS & INCREASE SALES

Terry Smart, COO

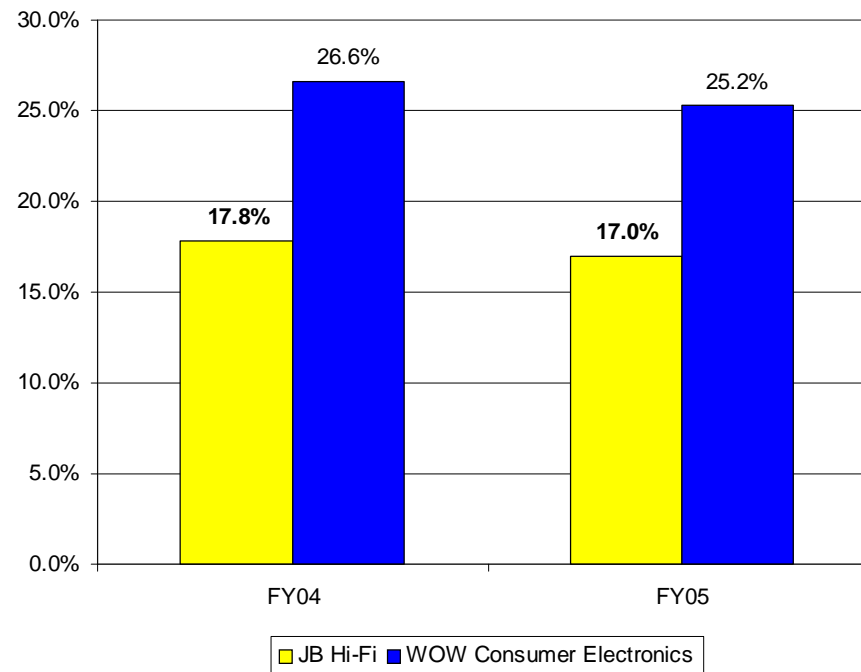




# JB Using Technology



- Ø JB's proposition is EDLP
- Ø Therefore we need to continue to hold down CODB
- Ø Graph below compares JB to respected industry player Woolworths, Consumer Electronics division





# JB Using Technology



***IT does not drive what we do but it does support our primary position - EDLP.***

Some Key objectives are:

- Ø Maximise sales
  - Minimise sales process time ie more customers serviced by sales people
  - Prompt add on
- Ø Protect GP
  - Control discounting
- Ø Minimise costs
  - Increase productivity of staff
  - Set & manage to appropriate labour targets
  - Avoid processing errors
- Ø Improve the experience for both customer and staff



# JB Using Technology



## 3 main IT supports

- Ø Sales person PDA's
- Ø Regional Manager PDA's
- Ø Time and attendance system



# Sales person's PDA'S



## *Handheld PDA based sales order system*

### **Benefits –**

- Ø Improve counter efficiency – faster processing of transactions
- Ø Replaces current paper based sales books
- Ø Improves Inventory management
- Ø Drive optimal sales and gross profit outcomes
- Ø Assists with up sells and Add on's
- Ø Sales persons statistics at their finger tips
- Ø Communicate important information with sales force in real time.
- Ø In house developed system so we can enhance and modify to suit our needs.
- Ø Low cost wireless solution



# Regional Managers PDA'S



## *Trialling introduction of Regional Managers PDA's*

### **Benefits -**

- Ø Total Store information available upon entering store
  - Ø Store sales & gross profit by department
  - Ø Sales staff sales & statistics
  - Ø Alerts such as sales below cost, low statistics etc
  - Ø Stock issues, over stocks, deleted or quit stock levels
  - Ø Wages to budget
- Ø Live store audits with ability to take photos for immediate review at Head Office
- Ø Live updates to store audit checklist



# Time & Attendance System



## *Payroll time and attendance system*

### **Benefits –**

- Ø Off the shelf package
- Ø Eliminate possibility of time sheet errors
- Ø Monitor / control overtime
- Ø Improve productivity by volume rostering
- Ø Allow Head Office Real Time visibility of rosters
- Ø Provide alerts to Regional Manager's if rosters fall outside of allowed guidelines
- Ø Interfaces with JB's Staff Training And Recognition System (STARS) to drive individuals sales budgets



# Investment Scorecard & Questions



- ∅ Growth factors:
  - Continued focused exposure to high 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 cost doing business
  - High stock turnover
  - Low capital investment
  - Buying power increasing as we grow
  - Strong financial ratios
  
- ∅ 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