

COMPANY ANNOUNCEMENT

8 February 2016

JB HI-FI Half Year 2016 Results

Highlights

- ❖ Total sales up 7.7% to \$2.12 billion
- ❖ Comparable sales up 5.2%
- ❖ NPAT up 7.5% to \$95.2 million
- ❖ EPS up 7.5% to 96.1 cps
- ❖ Interim dividend up 4 cps to 63 cps

Overview

JB Hi-Fi Limited today reports net profit after tax (NPAT) of \$95.2 million (HY15: \$88.5 million) from \$2.12 billion of sales (HY15: \$1.97 billion) for the half year ended 31 December 2015 (HY16). Total sales growth for HY16 was 7.7% with comparable sales up 5.2%.

Gross profit increased 7.6%, with gross margin down 3 bps to 21.7% (HY15: 21.7%). Cost of doing business was 14.3% (HY15: 14.2%), resulting in EBIT of \$138.2 million (HY15: \$130.0 million) and an EBIT margin of 6.5% (HY15: 6.6%).

JB HI-FI CEO, Richard Murray, said "This was a solid result with trading in the important November and December periods particularly strong as we executed on a great promotional plan."

In Store

The Company had 194 stores in Australia and New Zealand at 31 December 2015. During HY16, the Company opened seven new stores. The Company expects to open a total of eight new stores in FY16 and maintains its stated target of 214 stores across Australia and New Zealand.

Of these 194 stores, 56 were JB HI-FI HOME stores, with four new JB HI-FI HOME stores opened and nine existing JB HI-FI stores converted to JB HI-FI HOME during HY16. The Company is targeting a total of circa 75 JB HI-FI HOME stores across Australia and New Zealand. JB HI-FI CEO, Richard Murray, said "Each new JB HI-FI HOME store contributes to growing our customer awareness, market share and supplier support."

In addition to the HOME store roll-out, the Company continues to introduce small appliances to its existing store network as a natural progression of its proven home appliances strategy. Small appliances were introduced to 22 existing JB HI-FI stores during HY16, with up to an additional 15 existing JB HI-FI stores expected to range small appliances by the end of FY16.

The home appliances market in Australia is circa \$4.6 billion, larger than many of the other categories JB HI-FI operates in, and presents a significant opportunity for the Company as it leverages the strength and trust in the JB HI-FI brand. JB HI-FI CEO, Richard Murray, said "Appliances are a natural adjacency to our successful consumer electronics categories and accessing the \$4.6 billion appliance market, via both the introduction of small appliances to existing JB HI-FI stores and the HOME store conversions, is a significant growth opportunity for the Company."

Out of Store

Online sales continue to grow, up 28.9% in HY16, and represent approximately 3.0% of total sales (HY15: 2.5%). Unique visitors to JB HI-FI's websites during the 12 months to 31 December 2015 averaged 1.3 million per week.

JB HI-FI Solutions remains on track to deliver on its longer term aspirational sales target of approximately \$500 million per annum, through both organic growth and strategic acquisitions. All departments achieved solid growth for the period.

"JB HI-FI Solutions is a key driver of our future growth. We continue with our aggressive recruitment plan as we expand our product and service offer" said JB HI-FI CEO Richard Murray.

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Capital Management

The Board has today declared an interim dividend of 63 cents per share (cps) fully franked (HY15: 59 cps), up 4 cps on the prior year.

The interim dividend will be paid on 4 March 2016. The record date for determining the entitlement is 19 February 2016. The Board believes that the Company's dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth.

During HY16 the Company completed an on-market buy-back of 0.7 million ordinary shares (at a cost of \$13.2 million), to offset the dilutionary impact of shares expected to be issued to employees under the Company's share option plans in FY16.

January 2016 Trading Update

January 2016 sales update:

- ❖ Total consolidated sales growth was +10.2% (January 2015: +8.9%); and
- ❖ Consolidated comparable sales growth was +6.5% (January 2015: +7.0%).

JB HI-FI CEO, Richard Murray, said "Sales in January 2016 were pleasing given the strength in the prior year, with back to school technology purchases in both our retail and Solutions businesses driving sales."

Outlook

FY16 Guidance:

- ❖ The market is expected to remain competitive as retailers cycle a strong second half in FY15. Of particular significance was the small business tax incentive which drove sales in May and June 2015.
- ❖ We note recent changes to the consumer electronic and home appliance retail industry. In the near term it is unclear how these events will impact the industry; however we will continue to focus on delivering great value to our customers and ensure that we remain the preferred destination for consumer electronics, home appliances and entertainment.
- ❖ In FY16 the Company expects total sales to be circa \$3.9 billion and NPAT to be in the range of \$143 million to \$147 million.

JB HI-FI CEO, Richard Murray, said "We continue with a strong investment program including rolling out JB HI-FI HOME, the introduction of small appliances to existing stores and upgrades to a number of our stores. This will position us well as we cycle a strong second half in the prior year."

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