

COMPANY ANNOUNCEMENT

14 August 2017

JB Hi-Fi Limited Full Year 2017 Results

FY17 Highlights

- Total sales up 42.3% to \$5.6 billion
- Underlying EBIT up 38.5% to \$306.3 million
- Underlying NPAT up 36.5% to \$207.7 million, statutory NPAT up 13.3% to \$172.4 million
- Underlying EPS up 22.4% to 186 cps
- Total dividend up 18.0% to 118 cps

FY17 Trading Performance¹

JB Hi-Fi Limited ("Company") today reports net profit after tax (NPAT) up 36.5% to \$207.7 million (FY16: \$152.2 million) from \$5.6 billion of sales (FY16: \$3.95 billion) for the full year ended 30 June 2017 (FY17). Total sales growth for FY17 was 42.3%. Group EBIT was up 38.5% on the pcp to \$306.3 million and EPS was up 22.4% to 186 cps.

Group CEO, Richard Murray, said "2017 has been a great year. We are pleased to have delivered record sales and earnings, both on a statutory and underlying basis. It has been a particularly strong 18 months for the JB HI-FI business in Australia and we are pleased with the recent performance of The Good Guys and excited about the future opportunities for the Group."

JB HI-FI Australia

Total sales grew by 10.9% to \$4.15 billion, with comparable sales up 8.6%. Key growth categories were the Communications, Audio, Cameras, Accessories, Computers and Home Appliance categories. In FY17 online sales grew 38.4% to \$158.9 million or 3.8% of total sales, reflecting continuous improvement across many aspects of the business's digital assets. JB Hi-Fi Solutions continued to grow and remains on track to deliver on its longer term aspirational sales target of approximately \$500 million per annum.

Gross profit increased by 11.7% to \$922.8 million resulting in a gross margin of 22.2%. CODB was 15.0%, down 21 bps on the pcp. Total operating costs were in line with management's expectations and remained well controlled as the business continued to deliver the high standard of customer service that JB HI-FI is known for. The business's low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising unnecessary expenditure.

Strong sales growth, combined with operating cost leverage, drove strong earnings growth. EBIT was up 19.1% on the pcp to \$262.4 million while EBIT margin was up 43 bps at 6.3%.

JB HI-FI New Zealand

Total sales were down 0.3% to NZD234.0 million, with comparable sales down 8.8%. Sales in the prior year were aided by market wide demand for third party content cards. Excluding the impact of these cards (NZD8.4m), total sales in New Zealand were up 3.4%, with comparable sales down 5.3%. Online sales in New Zealand for FY17 grew 5.3% to NZD4.9 million or 2.1% of total sales. In light of the challenging recent financial performance in New Zealand, fixed asset and goodwill impairments totalling AUD15.8 million were recorded in the statutory FY17 results. This was a non-cash adjustment.

Group CEO, Richard Murray, said "we are proud of the strong market position the JB brand has built in the New Zealand market over the last 10 years, having driven great value for New Zealand consumers over this time. While we are disappointed with our recent financial performance, we have completed a review of the business and are finalising a two year strategy to improve performance. We remain committed to the NZ market and the 500 employees who strive every day to delight our customers instore and online. We have recently launched a new website (www.jbhifi.co.nz) and are pleased with its performance to date".

¹ Unless otherwise stated, all results disclosed in this presentation are underlying results which exclude transaction fees and implementation costs totaling \$22.4m associated with the acquisition of The Good Guys in November 2016 (The Good Guys results included from 28 November 2016 to 30 June 2017) and \$15.8m of fixed asset and goodwill impairments in New Zealand. Refer to the JB Hi-Fi Limited FY17 Results Presentation (Appendix I) for reconciliations of statutory and underlying results.

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The Good Guys

The Good Guys was acquired on 28 November 2016. For the period under JB HI-FI ownership, total sales were up 0.2% to \$1.26 billion with comparable sales down 1.3%. Key growth categories were Cooking, Seasonal Products, Visual, Refrigeration and Laundry. Online sales were \$64.4 million or 5.1% of total sales. Earnings for the period under JB HI-FI ownership of \$46.4 million were pleasing and in line with the pcp.

“Terry Smart was appointed Managing Director of The Good Guys in April. In the first 100 days since Terry’s appointment we have made a number of positive changes at both stores and support office to position the business for future growth. We are delighted with how The Good Guys team has embraced the opportunities that this next chapter presents in the history of one of Australia’s most respected retail brands” said Group CEO, Richard Murray.

JB Hi-Fi Solutions and Group Supply Chain

The Good Guys Commercial division, which was in the early stages of its development, has joined the broader JB Hi-Fi Solutions team (JB’s Commercial business). Whilst there is further work to be completed, going to market as a combined group is an important achievement at this early stage.

The JB HI-FI and The Goods Guys supply chain teams have been recently merged. The Group’s combined scale provides our supply chain team with many opportunities to delight customers wherever they live across Australia and New Zealand. We are particularly encouraged by the work the teams have undertaken to date and expect to deliver a number of initiatives during the course of FY18.

Stores

The Company had a total of 303 stores in Australia and New Zealand as at 30 June 2017. In Australia six new JB HI-FI stores were opened in FY17. One new JB HI-FI store was opened in New Zealand in FY17. Three new The Good Guys stores were opened and two stores closed in FY17².

The Company continues to review opportunities for new stores across Australia and New Zealand.

Synergy Update

The Company is pleased to confirm that it expects to achieve the upper end of its synergy target of \$15 million - \$20 million. This target is now expected to be fully realised in FY19, one year earlier than originally anticipated, with approximately half of the benefit to be achieved in FY18. The Company expects the remaining \$2 million - \$4 million of implementation costs to be incurred in the first half of FY18. The synergies will be recorded within earnings in each of the JB HI-FI and The Good Guys businesses in FY18 and FY19 and are broadly split equally between both businesses. The Company will continue to seek efficiencies and drive further synergies. Any upside to our original target will be reinvested in the businesses to strengthen their competitive position and drive future growth.

Group CEO, Richard Murray, said “we are very pleased with the opportunities that the combined Group provides and we have today confirmed the achievement of our synergies target, to be fully realised one year earlier than originally anticipated. Both JB HI-FI and The Good Guys have a proud history of delivering great value every day to customers and, as we realise value from the Group’s scale, we will reinvest in both businesses to strengthen their competitive position and drive future growth.”

Capital Management

The Board has today declared a final dividend of 46 cents per share fully franked, bringing the total dividend for FY17 to 118 cps, up 18 cps on the prior year (FY16: 100 cps). 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. The final dividend will be paid on 8 September 2017. The record date for determining the entitlement is 25 August 2017.

As part of the acquisition of The Good Guys, the Company completed a 1 for 6.60 fully underwritten, pro-rata, accelerated, renounceable entitlement offer of approximately \$394 million on 6 October 2016. 15.0 million new shares were issued as part of the entitlement offer.

Outlook

July 2017 sales update:

- total sales growth for JB HI-FI was 8.8% (July 2016: 13.4%) with comparable sales growth of 5.8% (July 2016: 9.5%); and
- total sales growth for The Good Guys was 6.8% with comparable sales growth of 5.7%.

² Two of the new The Good Guys stores opened in FY17 were opened before the acquisition. There were 103 The Good Guys stores open as at the acquisition date on 28 November 2016.

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FY18 Guidance:

- In FY18 the Company expects:
 - to open five JB HI-FI stores and continue to monitor opportunities for new The Good Guys stores; and
 - total Group sales to be circa \$6.8 billion (JB HI-FI \$4.65 billion and The Good Guys \$2.15 billion).

Group CEO, Richard Murray, said “2017 has been a strong year for the Group. The July sales results in both the JB HI-FI and The Goods Guys businesses are pleasing, especially in light of the strong sales growth in the prior year. We are clear on our objectives for 2018 and feel we have good momentum heading into the important Christmas trading period”.

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