

## COMPANY ANNOUNCEMENT

23 April 2014

### **Terry Smart to retire, Richard Murray to become CEO**

JB HI-FI Chief Executive, Terry Smart, today announced his intention to leave the Company in August 2014. The Board of JB HI-FI announced that Richard Murray will then succeed Terry as Chief Executive Officer.

Richard Murray has been JB HI-FI's Chief Financial Officer for more than 10 years and a Director since 2012.

JB HI-FI Chairman, Greg Richards, paid tribute to Terry Smart, saying that Terry has been a critical part of JB HI-FI's success over the past 14 years.

"On behalf of our shareholders, the Board would like to express its thanks and appreciation to Terry for his huge contribution to the Company. In some of the most challenging and unpredictable years in the retail industry. As CEO, Terry has driven JB HI-FI revenue from \$2.7 billion to an expected \$3.5 billion this year. He has continued the successful store roll-out program, taken JB HI-FI into the \$4.6 billion home appliance market with the launch and growth of the JB HI-FI HOME stores, reinforced the Company's strong online presence and overseen the launch of the JB HI-FI NOW digital content platform."

Terry Smart said it was a difficult decision to leave JB HI-FI.

"After 14 years with JB-HI FI it was a hard decision to make" Terry said. "JB HI-FI has been an incredibly important part of my life, having been involved in the growth of the company from 10 stores to the 182 stores we have today. But the decision is made easier because the Company is in a strong position. With great growth opportunities ahead, combined with the best retail management team in the market, I know the Company will continue to see long term success. I have worked very closely with Richard Murray for more than 10 years, taking the Company to the position it is in today. Richard has a great knowledge of the business and I have no doubt JB HI-FI will be in a great pair of hands. After a total of nearly 30 years in retail I now look forward to spending some more time with my family."

Greg Richards said that the Board was confident that Richard would build on Terry's achievements.

"Richard's appointment demonstrates the strength of the Company's succession planning policy and the quality and depth of our management team" Mr Richards said. "We continue to be very successful in attracting and retaining the best people. The Board is delighted in having a candidate of the calibre of Richard Murray within our own ranks and we look forward to Richard putting his own stamp on the Company while continuing with the current strategy."

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# [ JB HI-FI ]

Richard joined JB HI-FI as Chief Financial Officer and Company Secretary in 2003 and took the business through the Initial Public Offer that year. He was appointed to the Board as an Executive Director in June 2012. During his time with the Company, Richard has been a key member of the Executive team. More recently Richard has led the growth of the Company's Commercial division, which by the end of FY14 will have increased its revenue in Australia four fold since 2011.

Richard Murray said that he was honoured and excited by the challenge of leading the JB HI-FI team.

“JB HI-FI is in a strong and competitive position. We have many opportunities to grow the business as we continue the store roll out, expand JB HI-FI HOME, further develop our online and digital platform and build our commercial and education division. I look forward to working with Terry over the next three months to ensure a smooth and successful transition.”

The Company will appoint Nick Wells as Chief Financial Officer. Nick is currently Group Financial Controller and has been with the Company since 2009 having joined from Deloitte. Nick is a chartered accountant with over 10 years' experience in finance and accounting.

Details of the key terms and remuneration of the new Chief Executive Officer and the key terms of the retirement package for the outgoing CEO are set out in Attachment A.

## **Trading Update**

March Quarter sales update:

- consolidated comparable sales growth for the March quarter was +3.0%; and
- total consolidated sales growth for the March quarter was +5.7%.

In FY14 to date the Company has opened eight new stores, with two opened in the second half. The Company anticipates having a total of 22 JB HI-FI HOME stores by the end of FY14 with 19 stores already converted and a further 3 stores to be converted in the fourth quarter.

“We continued to see good comparable sales growth of 3.0% in the quarter. The newly converted HOME stores, while small in number, grew sales at 12.2% post conversion, demonstrating the opportunity we have ahead in these new categories” said Terry Smart.

Gross margin remains consistent with the first half as the Company continued to focus on managing sales and gross profit growth. JB HI-FI maintained solid profit growth for the quarter and in line with its current earnings guidance.

# [ JB HI-FI ]

JB HI-FI reaffirms guidance given on 3 February 2014 that in FY14 it expects:

- total sales to increase by between 6% and 8% on the prior year; and
- NPAT to be in the range of \$126.0m to \$129.0m, an increase of 8.3% to 10.8% on the prior year.

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## ATTACHMENT A NEW CEO'S REMUNERATION PACKAGE AND KEY TERMS

### Term of contract

Richard Murray will be appointed Chief Executive Officer pursuant to an open ended contract. Either party must give 12 months' notice of termination (other than by the Company for cause). The Company can choose to pay out the notice period, should it terminate the contract for convenience.

### Fixed Remuneration

The CEO's fixed annual remuneration will, from appointment, be \$1.1 million per annum. This remuneration level will next be reviewed, in accordance with annual salary reviews, at the end of the 2015 financial year.

### Incentives

The CEO is entitled to participate in the annual STI scheme. His incentive opportunity will be a maximum of 75% of his fixed remuneration.

The CEO will also participate in the company's long term incentive scheme, with an annual LTI opportunity equal in value to 75% of his fixed remuneration.

### Other terms

The remainder of his employment agreement will be on standard terms, including a 12 month non-compete and non-solicitation clause.

## OUTGOING CEO'S RETIREMENT TERMS

Mr Smart will be eligible to receive his annual STI, determined with reference against agreed performance conditions, for the 2014 financial year.

Mr Smart holds a number of unvested options.

While the Company's Option Plan generally provides for unvested options to lapse when an employee ceases employment, in recognition that Mr Smart has served a significant portion of the relevant performance periods, the Board has decided to exercise its discretion to leave unvested options held by Mr Smart that are due to have performance conditions tested at the end of the 2014 and 2015 financial years 'on foot' to be tested at the same time as for continuing executives. To the extent that any of these options have not vested following testing in 2015, they will lapse.

Mr Smart also holds a number of unvested options that, while well into their performance period, performing strongly against their performance conditions and with exercise prices well below the current market price, are not due to be tested until 2016 or later. These options (together with some older series that are unlikely to vest) will lapse upon his retirement.

Mr Smart, who was not subject to a contractual restraint as part of his employment terms, has agreed to a restraint from working for competitors of JB HI-FI for 12 months following

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# [JB HI-FI]

his retirement (until August 2015) and a non-solicitation restriction. In return for this restraint and in part recognition of the future value of the options that will lapse upon his retirement, having regard to his long service to the Company and his successful stewardship during one of the most challenging periods in retail, the Board has determined to make a one off payment to Mr Smart of \$1,295,000.

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